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IN THE

# Supreme Court of the United States

October Term, 1965

No. 433

McGRAW-EDISON COMPANY,

*Petitioner,*

*vs.*

PREFORMED LINE PRODUCTS COMPANY,

*Respondent.*

**Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.**

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McGRAW-EDISON COMPANY,

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PREFORMED LINE PRODUCTS COMPANY,

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**Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.**

*To the Honorable, the Chief Justice and the Associate Justices of the Supreme Court of the United States:*

Your Petitioner, McGraw-Edison Company, defendant-appellant below, respectfully prays that a writ of certiorari issue to review the Order of the United States District Court for the Southern District of California, Central Division [R. p. 225] and its Judgment *Nunc Pro Tunc* [R. p. 319], neither being reported, and the Judgment of the United States Court of Appeals for the Ninth Circuit [R. p. 386]. Copies of the Order and Judgments, and the Opinion of the Court of Appeals [R. p. 377], ... F. 2d .... (not published yet), 150 U.S.P.Q. 88, are printed in the Appendix hereto at App. 1, 3, 5, and 6, respectively.

## Jurisdiction.

The judgment of the United States Court of Appeals for the Ninth Circuit was entered May 26, 1966. (No petition for rehearing was filed).

The jurisdiction of the Supreme Court is invoked under 28 U.S.C. § 1254(1).

## Questions Presented.

1. Where a patent owner-manufacturer dominates a segment of the public utilities industry, and institutes and manipulates copending litigation to enforce the patent in two circuits against different defendants in a manner to achieve and retain the advantage of victory in one circuit establishing its patent monopoly and prevent, by dismissal over objection of the defendant in the other circuit, adjudication there of an answer and counterclaim, should not the Supreme Court of the United States order the suit in said other circuit restored to an active condition for trial particularly:

(a) when the question is one of great public moment,

(b) when conflict between circuits as to patent validity and infringement is rendered improbable,

(c) when the result is to prevent adjudication of charges of patent misuse and violation of the antitrust laws,

(d) when the defendant prevented from asserting its defenses and counterclaim is deprived of due process of law guaranteed by the Constitution of the United States,

(e) when the dismissal involves application of law which is in direct conflict with an applicable decision of

the Supreme Court and established law in another circuit,

(f) when the dismissal is contrary to the provisions of Rule 41(a) (2), Federal Rules of Civil Procedure,

(g) When the manipulation by the patentee includes a motion in the lawsuit in which the patentee was victorious, to hold in contempt the defendant in the other circuit and thus bar it from having its day in court?

2. Is not a purchaser of an article made by others entitled by due process of law and statute to maintain and try a declaratory judgment counterclaim charging invalidity, misuse and non-infringement of a patent when sued by the owner of the patent for patent infringement based on use and resale of the article, even though the patent owner later dismisses its complaint without prejudice and elects to pursue only a contempt action in a remote jurisdiction against the manufacturer of the article from whom the purchaser has been buying, particularly:

(a) when the purchaser is required by law to indemnify its own customers upon use and resale of the article which was found to infringe in the action against the manufacturer in said remote jurisdiction,

(b) when the purchaser is sought to be charged with contempt in said contempt action, to which it is not a party,

(c) when the purchaser charges misuse of the patent including the sale by the patentee of an unpatented element with an implied license to purchasers to complete the patented structure or combination, and that defense may not be availed of by the purchaser in said contempt action,

(d) when the purchaser seeks to establish its rights to manufacture the article itself, and

(e) when the purpose and effect of the dismissal by the patent owner are to secure and maintain for itself a monopoly of the article in a field in which the patent owner is already the predominant manufacturer?

## Constitutional Provision and Statutes Involved.

The pertinent part of the Constitution of the United States involved is the Fifth Amendment set out below:

> "No person shall be * * * deprived of life, liberty, or property, without due process of law; * * *."

The statutory provisions involved are Rule 41(a)(2), Federal Rules of Civil Procedure, Section 3 of the Clayton Act (15 U.S.C. § 14), Declaratory Judgments Act (28 U.S.C. §§ 2201 and 2202), Sections of the Patent Act of 1952 (35 U.S.C. §§ 282 and 102(a)(b)-(e)(f)(g), and Uniform Commercial Code of California §2312(3). These statutory provisions are herein printed at App. 17, 18, 19, 20, and 21 respectively.

## Statement of the Case.

Respondent-plaintiff, Preformed Line Products Company, filed its complaint [R. p. 13] May 1, 1958 against the City of Los Angeles, a municipal corporation, and petitioner-defendant, McGraw-Edison Company, a private corporation, charging infringement of U.S. Letters Patent No. 2,761,273, granted September 4, 1956, for "Dead-End for Cables". Jurisdiction in the District Court was conferred by 28 U.S.C. §§ 1338(a) and 1400(b), and 35 U.S.C. §§ 281-285.

Both defendants separately filed answers and counterclaims. As to the City of Los Angeles, disposition was made by a Stipulated Order filed June 15, 1964 [R. p. 47] dismissing without prejudice the complaint as to the City of Los Angeles and the latter's counterclaim for a declaratory judgment.

On February 24, 1965, the District Court, upon motion of Preformed, opposed by McGraw-Edison, dismissed without prejudice[1] both the complaint, and the petitioner-defendant's Second Amended and Supplemental Answer and Counterclaim [R. p. 136].

Appeal to the Court of Appeals for the Ninth Circuit was taken under 28 U.S.C. § 1291 by McGraw-Edison, and the judgment of the District Court was affirmed.[2]

While the case was pending in the District Court, the parties engaged in extensive discovery proceedings and motions of various kinds, and the case was off calendar by stipulation for a period of about three years.

At the time of the dismissal, the case was active, and on motion of McGraw-Edison Company the trial had been set to commence February 16, 1965.[3]

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[1]The Order of Dismissal is found at R. p. 225, is reproduced here, Appendix, page 1 and 2. A confirming judgment *nunc pro tunc* was entered as of February 24, 1965 [R. p. 319], and is reproduced at Appendix, page 3.

[2]The Opinion of the Court of Appeals, 150 U.S.P.Q. 88 not yet reported in the Federal Reporter, Second Series, at the writing of this petition, is found at R. p. 377, and is reproduced here at Appendix p. 6-17, the Judgment is at R. p. 386, and is here at Appendix p. 5.

[3]McGraw-Edison's Second Amended and Supplemental Answer and Counterclaim stood without reply when the case was dismissed, the District Court having granted a motion by McGraw-Edison to strike, with leave to Preformed to file an amended answer in the event the motion to dismiss was denied [R. p. 224(a)].

Reference is necessary to litigation, generally parallel in time, in the Sixth Circuit. Respondent, Preformed, on October 29, 1956, filed suit in the United States District Court for the Northern District of Ohio against The Fanner Manufacturing Company, among other things alleging infringement of Patent No. 2,761,273 referred to above.

Upon conclusion of the trial in 1959, the District Court in Ohio found the aforesaid patent was valid and infringed, but that Preformed had misused the patent and violated the antitrust laws of the United States and the patent was therefore unenforceable. The particular misuse found was Preformed's illegal tying of the purchase of armour rods to the purchase of the patented devices, and in exclusive dealing arrangements.

On May 17, 1962 the District Court in Ohio found and adjudged that the misuse of said patent had been purged, upon the passage of time alone without any showing of recompense and restoration to Fanner, and that Preformed was entitled to an injunction against further infringement and to damages for certain of the past infringment. *Preformed Line Products Company v. The Fanner Manufacturing Co.,* Northern District of Ohio, 1962, 225 F. Supp. 762. The judgment was affirmed by the Court of Appeals for the Sixth Circuit on February 19, 1964, 328 F. 2d 265, and rehearing was denied May 17, 1964. Certiorari was denied by the Supreme Court on October 12, 1964, 379 U.S. 846, 13 L. Ed. 2d 51.[4]

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[4]The only questions presented in Fanner's petition (Case No. 189, October Term, 1964) were as follows:

1. Should plaintiff's past misuse of Patent 2,761,273 involving illegal tying practices and exclusive dealing arrangements

Mr. Justice Douglas was of the opinion that certiorari should be granted.

In 1958, the assets of The Fanner Manufacturing Company were purchased by Textron Inc., Fanner was dissolved, and, Textron Inc, continued to make dead ends as The Fanner Manufacturing Company Division of Textron Inc.[5] After denial of the petition for writ of certiorari, Textron Inc. filed a declaratory judgment action against Preformed in the Northern District of Ohio [while the action in California was pending in the District Court], seeking adjudication of its rights with respect to a new form of dead end identified as the "Straight Bight Fanngrip".

After the filing of the declaratory judgment action by Textron Inc., Preformed filed motions in the original Ohio case to punish Textron Inc. and McGraw-Edison Company for contempt [R. pp. 185 and 189] in conspiring to violate the injunction issued by the Ohio court. No rule to show cause was issued. Instead the contempt motion as to Textron Inc. was treated in the nature of a complaint and Textron was directed by the court to file an answer, and the contempt proceedings were consolidated with the declaratory judgment action for trial. The parties to that suit are presently engaged in discovery proceedings.

The foregoing recitation identifies "the pending litigation in Cleveland, Ohio," referred to by the District Court in its Order of Dismissal [R. pp. 225, 226].

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have been found to be fully dissipated by the mere passage of time, without recompense and restoration?

2. Does plaintiff misuse Patent 2,761,273 by selling an *unpatented* element with an implied license to purchasers to complete the patented structure or combination? [this was a question not litigated in the Courts below.

[5]*Preformed Line Products Company v. The Fanner Manufacturing Co., supra,* at 328 F. 2d 267.

Upon representation to the District Court in California that McGraw-Edison had been named in the contempt motions in Ohio, and efforts made to compel its appearance, the District Court in California, on March 2, 1965, reinstated a temporary restraining order in the nature of an injunction to preserve the *status quo,* restraining Preformed until final decision on the appeal being taken to the Ninth Circuit Court of Appeals from proceeding directly or indirectly against McGraw-Edison in the contempt proceedings in Ohio [R. pp. 227-228]. The extension beyond the ten day period specified in Rule 65(b), and for the period of time specified in the restraining order, was consented to by Preformed [R. p. 316].

Under compulsion of the restraining order, and further proceedings in the district court in California based on the order [R. p. 237], Preformed temporarily suspended efforts to obtain the appearance of McGraw-Edison in response to the contempt motions in Ohio, and McGraw-Edison has not appeared therein. Now, in view of the affirmance by the Court of Appeals of the dismissal of the action in California, the protection afforded McGraw-Edison by the restraining order is no longer in effect, and Preformed has the way cleared to renew its attack against McGraw-Edison in said contempt proceedings in Ohio.

Returning now to the proceedings in California the Court of Appeals for the Ninth Circuit in affirming the District Court, stated "that if the case involved the dismissal of an independent action for declaratory judgment, rather than a counterclaim, the district court clearly would have discretion to dismiss by reason of the pendency of the Ohio case. Appellant does not ques-

tion this conclusion * * *". [App. p. 13]. Appellant (petitioner here) respectfully denies acquiescence in the quoted statement. Petitioner's position consistently has been that the pendency of the Ohio case could not be the basis for dismissal of a declaratory judgment action in any form by petitioner in California.[6]

The Court of Appeals' opinion states the law of the case to be that the issue of whether the Straight Bight Fanngrip infringes the patent "should first be determined in the Ohio court." The Court recognizes no other issue as present in the California case. Consequently, so long as the Ohio cases remain pending, McGraw-Edison is barred from litigating *any issues* tendered in its answer and counterclaim which was dismissed.

The Court's comment that since petitioner's "counterclaim for declaratory relief was dismissed without prejudice, McGraw-Edison Company may pursue any appropriate remedy it deems necessary," is a permissive suggestion which affords no relief to petitioner. Of what avail would it be to petitioner to file an independent action in any circuit for declaratory judgment on the same allegations? *Finality of the dismissal in the Ninth Circuit is obvious.* Relegation of the peti-

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[6]Petitioner's Opening Brief on Appeal contains the following statement on page 20: "In patent cases, the district courts may decline jurisdiction of a suit brought in good faith to obtain declaratory relief only if it appears that the *same parties* and issues are involved in another suit previously begun or that in another suit subsequently begun involving the *same parties* and issues the questions in controversy between the parties can be better settled and the relief sought by them more expeditiously and effectively afforded than in the declaratory proceeding." Citing *Crosley Corp. v. Westinghouse Electric & Mfg. Co.*, C.A. 3, 130 F. 2d 474, 54 U.S.P.Q. 291.

tioner solely to a defense in the contempt proceedings in Ohio, circumscribed by the restrictive rules of a contempt action, is not the appropriate remedy. The appropriate remedy open to petitioner in order to obtain a full determination of its rights, is this petition for writ of certiorari.

**Reasons Relied on for Granting the Writ.**

The writ of certiorari should be granted for the following reasons:

1. The judgments of the courts below terminating litigation which if proceeding to trial might result in a conflict of decisions as to validity and infringement of a patent are in conflict with decisions of the Supreme Court affirming such issues as of great moment to the public, and which should be tendered to this Court.

2. The judgments of the courts below prevent adjudication of charges that the patent owner has misused its patent, among other things, by selling an unpatented element with an implied license to purchasers to complete the patented structure or combination, and also prevent adjudication of charges that the patent owner has violated the antitrust laws.

3. The judgments of the courts below holding that a defendant's rights can be decided by decree of another court in a summary proceeding in an action to which he is neither a party nor in privity, and denying him his day in court, are in conflict with decisions of the Supreme Court to the contrary, and the due process clause of the Constitution.

4. The judgments of the courts below holding that a defendant's rights can be decided by decree of another court in a summary proceeding in an action to which he is neither a party nor in privity, and denying him his day in court, are in conflict with a decision in the Second Circuit on the same point of law involving important interpretations of federal law, and if the Supreme Court has not decided the question, it should do so.

5. The judgments of the courts below sanction a serious departure so far from the accepted and usual course of judicial proceedings, as to call for an exercise of the Supreme Court's power of supervision.

## ARGUMENT.

### I.

### Issues of Great Moment to the Public Are Involved, and Further Litigation Outside the Sixth Circuit Which Might Result in Conflict Between Circuit Courts of Appeal Is Improbable Because Respondent Has Obtained Dismissal Without Trial of Its Complaint and Petitioner's Answer and Counterclaim in the Ninth Circuit.

Patent No. 2,761,273 relates to dead ends made up of a length of helically twisted wire, bent in the middle in the general form of a hairpin with a loop or bight to encircle a fixed anchor of some sort, and the end portions to be intertwisted around an electrical or other cable. The purpose is to transfer the anchoring load from the cable to the dead end.

The principal users throughout the nation are the public utilities in power transmission systems.

Respondent, Preformed, is admittedly the dominant manufacturer and seller in the United States of dead end devices which it alleges are protected by the patent. Its only competitor in the manufacture of such devices shown by the record is the Fanner Division of Textron. Preformed and Textron both have their manufacturing establishments for said dead end devices, and their offices, in Cleveland, Ohio. Petitioner, McGraw-Edison, engages in purchasing dead ends manufactured by Textron and reselling them to the public utilities. The purpose and effect of the dismissal of the action by the respondent are to secure and maintain its monopoly of dead end devices.

At a hearing in the District Court on September 24, 1964, Mr. Charles Prudell, general patent attorney for

McGraw-Edison, made the following statement [R. pp. 341-342]:

"Mr. Prudell: If it please the court, McGraw-Edison Company is being sued by Preformed, and to understand, we have a division in McGraw-Edison called the Line Material Industries, which for four years has served the industry with material to construct lines. It sold Preformed products until Preformed shut them out, and they were forced to go to Fanner to get them.

"This is a great part of our business, it is a significant part. We derive profit, which we pass on to the stockholders. In the utilities business the utilities demand two sources of supply to keep the prices down so they won't be criticized about their rates. If Preformed wins this case there will be one source of supply, Preformed.

"As Mr. Hume said, this is going to be determined in Cleveland, leaving Preformed a monopolist, and we will be out of business. We will lose this service which we have traditionally given to the utilities.

"If this is done, our management has authorized me this morning to pass on to your Honor that we plan to go into the manufacture, either directly or indirectly, of this straight bight grip, as in the opinion of our counsel and myself it does not infringe these patents, so we have direct plans.

"There is certainly a controversy between Preformed and McGraw-Edison. They are trying to shut off our service to the utilities."

Patent No. 2,761,273 having been held valid and infringed in the Sixth Circuit, rights of the public are involved in this litigation in the Ninth Circuit, and in view of the dismissal of petitioner's counterclaim, require the action of this Court for the protection of those rights.

> "The possession and assertion of patent rights are issues of great moment to the public."
>
> *Precision Instrument Mfg. Company v. Automatic Maintenance Machinery Co.*, 324 U.S. 806, 89 L. Ed. 1381, 65 S. Ct. 993.

Where the validity and infringement of a patent are in doubt and where it is improbable that conflict between Circuit Courts of Appeal will occur, due to the fact that only the litigants are engaged in competition thereon, certiorari will be granted.

> *Mackay Radio & Telegraph Co. v. Radio Corp. of America*, 306 U.S. 86, 89, 83 L. Ed. 506, 508, 59 S. Ct. 427.

Certiorari will be granted where the concentration of the industry to which the patent relates, in one circuit, makes litigation in other circuits resulting in a conflict of decision unlikely.

> *Schriber-Schroth Co. v. Cleveland Trust Co.*, 305 U.S. 47, 83 L. Ed. 34, 59 S. Ct. 8;
>
> *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126, 86 L. Ed. 736, 62 S. Ct. 513;
>
> *Muncie Gear Works v. Outboard Marine & Manufacturing Company*, 315 U.S. 759, 86 L. Ed. 1171, 62 S. Ct. 865.

Fanner was not in position to advance such grounds in its petition for writ of certiorari which was denied October 12, 1964,[7] because the case in the Ninth Circuit was not only pending in the District Court but had been set for trial to commence February 6, 1965.

Petitioner here, McGraw-Edison Company, is in a position to invoke its present grounds in view of the dismissal of its counterclaim on February 24, 1965, affirmed by the Court of Appeals of the Ninth Circuit. There is no other litigation pending involving the dead end patent, except that in Ohio, described above.

The principle involved in the cases cited is applicable to this petition which if granted can result in the Ninth Circuit case being reopened for trial, and a conflict of decisions being made probable, whereupon the validity and infringement of the patent could be brought before this Court.

Moreover, violation of the antitrust laws and patent misuse by respondent Preformed are asserted in this case. The charges are (a) selling its allegedly patented dead ends only to those agreeing to deal in Preformed's line of products exclusively; and (b) selling *unpatented* components which can be used in forming allegedly patented dead ends, with an implied license to its customers to complete the patented devices, thereby illegally extending the scope of the patent monopoly by restricting competition in the *unpatented* articles which it sells [R. pp. 138-140].

McGraw-Edison first asserted the stated misuse in its pleading lodged with a motion filed June 10, 1964 [R. pp. 31, 39, 43-44]. It was never pleaded nor

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[7] *Supra*, 379 U.S. 846, 13 L. Ed. 2d 51 (No. 189, October term, 1964).

tried in the original Ohio action, and appeared in that litigation for the first time as an unlitigated point in Fanner's petition for a writ of certiorari, *supra,* which nevertheless Mr. Justice Douglas was of the opinion should be granted.

In the instant case the charge stands undenied and is alone a strong reason why the Supreme Court should grant this writ. *Mercoid v. Mid-Continent Investment Co.,* 320 U.S. 661, 88 L. Ed. 376, 64 S. Ct. 268.[8]

II.

**The Judgments Against Petitioner Are to Be Construed as Holding That a Defendant's Rights Can Be Decided by Decree of Another Court in a Summary Proceeding in an Action to Which It Is Neither a Party nor in Privity, and Deny Petitioner Its Day in Court, Which Is in Conflict With Decisions of the Supreme Court, and the Due Process Clause of the Constitution.**

The question of whether McGraw-Edison may have any liability in the Cleveland Court on account of its sale of the Straight Bight Fanngrips (which have not been adjudicated) may be passed, as numerous other issues are tendered in McGraw-Edison's counterclaim.

Rather, attention is directed to the Supreme Court decisions which control as to whether McGraw-Edison is entitled to challenge the patent in issue irrespective of the Cleveland proceedings. The first decision for con-

[8]Since this case proceeded to judgment based solely upon the pleadings, other papers, and the motion to dismiss, with the Second Amended and Supplemental Answer and Counterclaim standing without reply, its allegations must be taken as true. *Postal Tel.-Cable Co. v. Newport,* 247 U.S. 464, 62 L. Ed. 1215, 38 S. Ct. 566; *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.,* ..... U.S. ....., ..... L. Ed. 2d ....., ..... S. Ct. ....., 147 U.S.P.Q. 404, 406.

sideration is *Meccano, Ltd. v. John Wanamaker,* 253 U.S. 136, 64 L. Ed. 822, 40 S. Ct. 463.

In that case a patent owner (Meccano) sued the manufacturer (Wagner) in the Sixth Circuit and the retailer of the Wagner toys (Wanamaker) in the Second Circuit. Meccano, in a summary proceeding against Wanamaker for an interlocutory injunction, based on a favorable decision in the Sixth Circuit against Wagner, moved also for a final decree upon the merits. The Supreme Court sustained the Court of Appeals for the Second Circuit in denying the motion for a final decree.

The Supreme Court's language is pertinent, 253 U.S. at 141-142, 64 L. Ed. at 826:

> "Petitioner maintains that its motion for final decree upon the merits should have been sustained. But the appeal was from an interlocutory order, and the court could only exercise powers given by statute. On such an appeal a cause may be dismissed if it clearly appears that no ground exists for equitable relief; but finally to decide a defendant's rights upon the mere statement of his adversary, although apparently supported by ex parte affidavits and decrees of other courts, is not within the purview of the act. He is entitled to a *day in court,* with opportunity to set up and establish his defenses. The motion for final judgment was properly overruled. Eagle Glass & Mfg. Co. v. Rowe, 245 U.S. 275, 281, 62 L. ed. 286, 289, 38 Sup. Ct. Rep. 80." (Emphasis added).

That decision is directly applicable to the case at bar. Dismissal of the action which included McGraw-Edison's Answer and Counterclaim was finally to decide McGraw-Edison's rights on the apparent support of the decree in the Sixth Circuit, and on the mere statements of its adversary Preformed as to issues still involved in proceedings there.

The judgments of the courts below in the Ninth Circuit are in direct conflict with the Supreme Court decision in the *Meccano* case.

It is also abundantly clear that the reason for the dismissal, "in light of * * * the pending litigation in Cleveland, Ohio," stated in the District Court's ruling [R. p. 225], and the effect of the language in the Court of Appeals affirmance, "We agree with appellee and the district court that no justiciable issue is created by McGraw-Edison's plan to manufacture dead-ends independently if Fanner is unsuccessful," is to enforce against McGraw-Edison Company, the judgment in the Ohio case. This includes sustaining of the validity of the patent as against McGraw-Edison, who is not and never was a party and has had no day in court.

This action by the courts below has been repeatedly held by this Court to be repugnant to rights guaranteed by the Constitution.

*Hansberry v. Lee* (1940), 311 U.S. 32, 61 S. Ct. 115, 85 L. Ed. 22;

*Old Wayne Mutual Life Association v. McDonough* (1907), 204 U.S. 8, 51 L. Ed. 345, 27 S. Ct. 236;

*Iron Cliffs Co. v. Negaunee Iron Co.* (1905), 197 U.S. 463, 25 S. Ct. 474, 49 L. Ed. 836.

The apparent reason for the Court of Appeals' affirmance of the dismissal of petitioner's counterclaim was to avoid what it considered a multiple litigation situation. The basis for the opinion is that *possibly* the Cleveland court in the trial on the straight bight grip may find there is no infringement. Even if this future event should occur, McGraw-Edison is still left with a finding of patent validity and infringement of at least one particular structure hanging over its head. It was respondent Preformed who chose to take up the cudgels against McGraw-Edison by initiating its suit for infringement against that company. Yet, despite the fact the Court of Appeals acknowledged that "McGraw-Edison is not bound by the Cleveland judgment and injunction" since it was neither a party nor in privity in the Ohio suit, the court, in affirming the dismissal of McGraw-Edison's counterclaim has for all practical purposes eliminated McGraw-Edison's right to contest, among other things, the validity of the patent.

This is quite significant since petitioner does, by statute, indemnify its customers to whom it resells the dead end devices.[9]

Petitioner certainly should be entitled to try the question of validity, misuse, etc. raised in its counterclaim in order to ascertain the liabilities it may incur as a result of its resale and use of dead ends supposedly infringed by a patent held to be valid in a suit in a remote jurisdiction to which petitioner, McGraw-Edison was neither a party nor in privity.

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[9]Uniform Commercial Code of California §2312(3) App. p. 21, also the law in other states.

III.

**The Judgments of the Courts Below Are in Conflict With a Decision of the Second Circuit, on an Important Point of Federal Law, on Controlling Facts Which Are Parallel, and if the Supreme Court Has Not Settled the Law by Its Decision in Meccano, Ltd. v. John Wanamaker, supra, It Should do so Now.**

The Second Circuit decision is *Meccano, Ltd. v. John Wanamaker,* 250 Fed. 250, the same case dealt with in the Supreme Court decision cited above.

The facts in *Meccano* are as summarized in petitioner's discussion under point II, supplemented as follows: The suit was for infringement of a patent, a copyright, and for unfair competition. Wagner, the manufacturer, who was sued in Ohio, had agreed to hold Wanamaker, who was sued in New York, harmless for any sales of the toys and manuals charged to infringe, and in pursuance of that undertaking he had "taken a share in the defense" of Wanamaker. Judge Learned Hand even assumed, for the purposes of Meccano's motion, that Wagner had assumed the chief conduct of the case.

In the Ohio case where Meccano had sued Wagner, the case proceeded through trial and appeal, and the patent was held invalid by the Court of Appeals but the copyright was sustained and held infringed and unfair competition was found to have occurred.

The motion before Judge Hand in New York was upon the record in the Ohio suit which was made a part of the moving papers. This motion, for judgment on the merits, was denied.

Judge Hand noted that Wanamaker's purchase of toys and manuals from Wagner, which he had been enjoined from selling, if not an actual contempt of that decree, was at least in derogation of the rights of the plaintiff established thereby, regardless of Wanamaker's personal right to sell toys and manuals, if bought from others, or to manufacture them itself and sell them without the cooperation of Wagner. He then said:

> "What we have before us is whether, conceding all this, the plaintiff has established, *or can* establish, in the Ohio suit, any estoppel which will generally conclude the defendant upon all the issues raised between itself and the plaintiff by the pleadings in this suit.
>
> "We think it clear that that decree cannot have any such effect * * * It is apparent that some of the issues are different than those litigated in Ohio; they involve, not only the right to sell Wagner's toys and manuals, but any others which it may procure elsewhere. We have no right to assume, because the defendant allows Wagner to have the chief conduct of the defense, that it has abandoned all rights, except that of getting the toys and manuals from him."

Summarized, the Second Circuit decision clearly defines the law to be, that one sued for infringement arising from his buying and selling the products of a manufacturer, who has been enjoined in another suit, has the right to his day in court in his own suit irrespective of any violation or tort he may commit by continuing to deal in the enjoined products.

The Ninth Circuit decision in the present case is in direct and irreconcilable conflict with the *Meccano* decision.

It goes to fundamental rights as guaranteed by the Fifth Amendment. McGraw-Edison's rights are being adversely affected without due process of law. If the Supreme Court affirmance of these rights in *Meccano, Ltd. v. John Wanamaker, supra,* (point II) did not settle the question, it should be settled now.

## IV.

## The Judgments of the Courts Below Sanction a Departure so Far From the Accepted and Usual Course of Judicial Proceedings as to Call for an Exercise of the Supreme Court's Power of Supervision.

The generally accepted principle for many years in patent cases has been that a defendant sued for infringement could "lock in" the issues for adjudication by filing a counterclaim for declaratory judgment on the questions of validity and infringement, which necessarily involves scope of the claims if valid.

This principle was recognized and implemented by Rule 41(a)(2), F.R.C.P., the pertinent part of which provides:

> By Order of Court. * * * If a counterclaim has been pleaded by a defendant prior to the service upon him of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court.

Independent "adjudication" is predicated on the defendant-counterclaimant having its *day in court.* There

is no discretion given to the court by this rule to dismiss the counterclaim over the defendant's objection. The phrase "can remain pending" must be defined as including *shall*. Otherwise the word "could" would have been substituted.

The counterclaim here "locked in" the issues for adjudication. Dismissal of the counterclaim was not on grounds of lack of jurisdiction or venue, not on *res judicata*, not on the merits—but in the light of another action partly resolved with finality, and partly pending. The parties in the two actions are not the same. This dismissal was not an *adjudication* as intended by Rule 41(a)(2).

Dismissal by the District Court of the declaratory judgment counterclaim, which had been pending for approximately seven years, and where pretrial discovery had been completed to a point that a trial date had been set, invoked the exercise of discretion where none was authorized. This was contrary to the rule, and a serious departure from the accepted and usual course of judicial proceedings. There was no exception to justify it.

The accepted and usual course of judicial proceedings is to recognize a clear right in a purchaser (customer) sued for infringement to defend himself fully regardless of what has been adjudicated against the manufacturer. See for example:

> *The General Chemical Co. v. Standard Wholesale Phosphate etc.*, C.A. 4, 101 F. 2d 178. 40 U.S.P.Q. 258;

*Bechik Products, Inc. v. Flexible Products, Inc., et al.*, C.A. 2, 225 F. 2d 603, 106 U.S.P.Q. 340;

*Wemborne-Karpen Dryer Co. v. Dort Motor Car Co.*, C.A. 6, 14 F. 2d 378, 379.

McGraw-Edison has been denied this right by the lower courts' departure from the accepted and usual course of judicial proceedings, affirmed by the Court of Appeals, as to call for an exercise of the Supreme Court's power of supervision.

## Conclusion.

For the reasons stated, and under the Constitution, statutes, rules, and cases cited, the petition for writ of certiorari should be granted.

Respectfully submitted,

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## APPENDIX.

### ORDER GRANTING PLAINTIFF'S MOTION TO DISMISS AND ORDER DISMISSING DEFENDANT'S PETITION FOR RESTRAINING ORDER AND DISSOLVING TEMPORARY RESTRAINING ORDER.

In the United States District Court Southern District of California, Central Division.

Preformed Line Products Company, a private corporation, Plaintiff, vs. McGraw-Edison Company, a private corporation. Defendant. No. 406-58 MC.

On January 22, 1965, plaintiff's motion to dismiss and defendant's order to show cause for temporary restraining order were argued and submitted for decision. The following counsel appeared for plaintiff: Richard Stevens, Patrick Hume, Richard Hamilton and Henry Brinks; and the following counsel appeared for defendant: Herbert A. Huebner, Harlan Huebner and Charles Prudell.

Rule 41 (a)(2) of the Federal Rules of Civil Procedure permits dismissal even though a counterclaim has been filed where, as here, the counterclaim can remain pending for independent adjudication by the court. Here, defendant's counterclaim is for declaratory relief and could remain pending; however, in light of the dismissal of the complaint and the pending litigation in Cleveland, Ohio, the counterclaim should also be dismissed without prejudice.

Plaintiff's motion to dismiss complaint and counterclaim is granted without prejudice and each party to bear his own costs.

Defendant's petition for restraining order is dismissed and the temporary restraining order is dissolved.

Dated: February 23, 1965.

/s/ M. D. CROCKER
United States District Judge

[Endorsed]: Filed and Entered February 24, 1965.

## JUDGMENT NUNC PRO TUNC OF DISMISSAL WITHOUT PREJUDICE.

In the United States District Court, Southern District of California, Central Division.

Preformed Line Products Company, a private corporation, Plaintiff, vs. McGraw-Edison Company, a private corporation, Defendant. Civil Action No. 406-58-MC.

This matter having come on for hearing on plaintiff's motion to dismiss the action, including the action averred in the Complaint and the actions averred in the counterclaim contained in the Second Amended Supplemental Answer and Counterclaim, and the Court having made an Order among other things granting plaintiff's motion to dismiss the Complaint and said counterclaim without prejudice and each party to bear his own costs, said Order being filed and entered February 24, 1965, and the Court having intended by said Order to dispose of this case in its entirety as to all causes of action pleaded by the parties hereto, and each of them, and the defendant having appealed to the Court of Appeals for the Ninth Circuit from said Order, and both parties, through their respective counsel, Reginald E. Caughey, Esquire, for the plaintiff and Herbert A. Huebner, Esquire, for the defendant having represented to this Court that it is their joint desire to assure that the appeal may be presented in proper form for a decision on the merits presented by the appeal;

Now, Therefore, it is Ordered, Adjudged and Decreed, that

1. The Complaint and the action averred therein are dismissed without prejudice;

2. The counterclaim contained in the Second Amended Supplemental Answer and Counterclaim of McGraw-Edison Company, and the actions averred therein, are dismissed without prejudice;

3. The action herein in its entirety as to all causes of action pleaded by the parties, and each of them, is dismissed without prejudice;

4. Each party shall bear his own costs; and

5. This judgment shall be entered nunc pro tunc as of February 24, 1965.

Dated: May 10th, 1965.

/s/ M. D. Crocker
Judge

Approved as to form and substance:
Lyon & Lyon
Reginald E. Caughey
/s/ By Reginald E. Caughey
Attorneys for Plaintiff

Substance of the representations in the preamble approved, and the form in toto approved:
Huebner & Worrel
Herbert A. Huebner
Richard M. Worrel
Harlan P. Huebner
Albert L. Gabriel
Herbert A. Huebner
Attorneys for Defendant

[Endorsed]: Filed and Entered May 10, 1965.

## Judgment.

United States Court of Appeals, for the Ninth Circuit.

McGraw-Edison Company, a corp., Appellant, vs. Preformed Line Products Company, a corp., Appellee. No. 20,023.

Appeal from the United States District Court for the Southern District of California, Central Division.

This Cause came on to be heard on the Transcript of the Record from the United States District Court for the Southern District of California, Central Division and was duly submitted.

On Consideration Whereof, It is now here ordered and adjudged by this Court, that the judgment of the said District Court in this Cause be, and hereby is affirmed.

Filed and entered May 26, 1966.

## Opinion of United States Court of Appeals for the Ninth Circuit.

United States Court of Appeals for the Ninth Circuit.

McGraw-Edison Company, a corporation, *Appellant*, vs. Preformed Line Products Company, a corporation, *Appellee*. No. 20,023.

[May 26, 1966]

On Appeal from the United States District Court for the Southern District of California, Central Division.

Before: Jertberg and Ely, Circuit Judges, and Jameson, District Judge.

Jameson, District Judge:

This is an appeal from an order dismissing, without prejudice, a complaint for patent infringement and a counterclaim for declaratory judgment.

The appellee, Preformed Line Products Company, filed a complaint on May 1, 1958, against the City of Los Angeles and appellant, McGraw-Edison Company, charging infringement of United States Letters Patent No. 2,761,273, granted September 4, 1956, for "Dead-End For Cables".[1] Both defendants filed answers and counterclaims.

A stipulation was filed June 15, 1964, dismissing without prejudice the complaint as to the City of Los Angeles and the City's counterclaim for a declaratory judgment. On February 24, 1965, the district court, upon motion of Preformed, opposed by McGraw-Edison, dismissed without prejudice both the complaint and appellant's counterclaim.

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[1]Jurisdiction in the district court was conferred by 28 U.S.C. 1338(a) and 1400(b) and 35 U.S.C. 281-285. This appeal was taken under 28 U.S.C. 1291.

Preformed, on October 29, 1956, had filed suit in the United States District Court for the Northern District of Ohio against The Fanner Manufacturing Company, alleging infringement of two patents and unfair competition. One of the patents charged to be infringed was No. 2,761,273 for "Dead-End For Cables". The instant action was brought by Preformed against the City of Los Angeles and McGraw-Edison alleging their use and sale, respectively, of dead ends made by The Fanner Manufacturing Company and charged to infringe Patent No. 2,761,273.

The Ohio case was tried in January-February, 1959. Although no decision in the Ohio action had been announced, the parties in this action stipulated on November 3, 1959, that the case should be removed from the trial calendar.[2]

By judgment dated May 17, 1962, the United States District Court for the Northern District of Ohio determined that the dead end patent was valid and infringed by Fanner and that Preformed was entitled to an injunction against further infringement and to damages for past infringement. Preformed Line Products Co. v. The Fanner Mfg. Co., N.D. Ohio 1962, 225 F. Supp. 762. The judgment was affirmed by the Court of Appeals for the Sixth Circuit on February 19, 1964, (328 F. 2d 265) and rehearing was denied May 17, 1964. Certiorari was denied by the Supreme Court on October 12, 1964. (379 U.S. 846)

[2]The order entered pursuant to the stipulation recited that the court had been "advised by counsel for both parties of the pendency of an action in the United States District Court for the Northern District of Ohio, Eastern Division, involving substantially the same issues and the fact that said case had been tried and was under submission and that the decision in said case might dispose of this action * * *".

This case remained off the calendar for about three years. Pursuant to a local court rule, it was then placed on the calendar for consideration of dismissal for want of prosecution. A hearing was held October 15, 1962. Upon representation to the court that the case in the Northern District of Ohio had been tried but that the plaintiff, Preformed Line Products Company, was required to purge itself of "unclean hands", which subsequently was held to have been accomplished, and that the case was then on appeal, the district court ordered that the order of November 3, 1959, would be continued in effect.

On April 15, 1964, McGraw-Edison filed a notice restoring the action to the trial calendar. Thereaftef McGraw-Edison filed a motion for leave to file an amended and supplemental answer and counterclaim. An order was entered June 25, 1964, granting McGraw-Edison's motion, subject to certain conditions and exceptions. On July 31, 1964, McGraw-Edison filed its first amended and supplemental answer and counterclaim.

Thereafter depositions were taken in Cleveland, Ohio. On September 16, 1964, McGraw-Edison filed a motion to compel answers to questions on oral depositions and a motion to set the case for trial. Preformed filed a motion to strike the fifth cause of defendant's counterclaim, which sought a declaratory judgment with respect to a modified device known as "Straight-Bight Fanngrip". On September 24, 1964, the court denied the motion to strike, granted defendant leave to file a second amended answer and counterclaim, and set the case for trial to commence February 6, 1965.

Preformed filed its answer to the counterclaim of McGraw-Edison as amended and supplemented, and on January 8, 1965, McGraw-Edison filed a motion to strike the answer. Shortly thereafter Preformed sought to have McGraw-Edison charged in contempt in the Ohio case. On January 15, 1965, the district court in this action granted an order to show cause and temporary restraining order restraining Preformed from proceeding against McGraw-Edison in the Ohio case.

On January 19, 1965, Preformed filed a motion to dismiss this action "on the ground that all justiciable matters and issues raised herein are presented in, and fully determinable by" the Ohio case. On February 24, 1965, the court granted Preformed's motion to dismiss its complaint without prejudice and also ordered dismissal without prejudice of the McGraw-Edison counterclaim. This order was supplemented by a nunc pro tunc order of May 10, 1965, dismissing the "action in its entirety".

The order of February 23, 1965, reads in pertinent part:

> "Rule 41(a)(2) of the Federal Rules of Civil Procedure permits dismissal even though a counterclaim has been filed where, as here, the counterclaim can remain pending for independent adjudication by the court. Here, defendant's counterclaim is for declaratory relief and could remain pending; however, in light of the dismissal of the complaint and the pending litigation in Cleveland, Ohio, the counterclaim should also be dismissed without prejudice.
>
> "Plaintiff's motion to dismiss complaint and counterclaim is granted without prejudice and each party to bear its own costs."

Rule 41(a)(2) F. R. Civ. P. provides in pertinent part: "* * * If a counterclaim has been pleaded by a defendant prior to the service upon him of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court. * * *"

The parties agree that McGraw-Edison's counterclaim could have remained pending for independent adjudication notwithstanding dismissal of the complaint. The dismissal of the complaint without prejudice accordingly was proper under Rule 41(a)(2). The question then arises as to whether the trial court could properly dismiss the counterclaim for declaratory relief. The answer to this question does not depend upon Rule 41(a)(2),[3] but rather upon a construction of the Federal Declaratory Judgment Act.

The Declaratory Judgment Act (28 U.S.C. 2201) provides that in "a case of actual controversy within its jurisdiction", a court may "declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought". Rule 57 of the Federal Rules of Civil Procedure provides, "The existence of another adequate remedy does not preclude a judgment for declaratory relief in cases where it is appropriate."[4]

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[3]Rule 41(a)(2) neither precluded nor required dismissal of the counterclaim since it could remain pending for independent adjudication.

[4]The note of the Advisory Committee on Rule 57 reads in part: "When declaratory relief will not be effective in settling the controversy, the court may decline to grant it." Notes of Advisory Committee on Rules, Rule 57, 28 U.S.C.A., at 568 (1960).

Professor Borchard has well stated the applicable rules for determining when declaratory relief is appropriate:

> "The two principal criteria guiding the policy in favor of rendering declaratory judgments are (1) when the judgment will serve a useful purpose in clarifying and settling the legal relations in issue, and (2) when it will terminate and afford relief from the uncertainty, insecurity, and controversy giving rise to the proceeding. It follows that when neither of these results can be accomplished, the court should decline to render the declaration prayed." Borchard, Declaratory Judgments 299 (2d ed. 1941).[5]

Ordinarily the question of whether a district court shall exercise jurisdiction in a declaratory judgment action rests in the sound discretion of that court. As this court said in Shell Oil Co. v. Frusetta, 1961, 290 F. 2d 689, 691-92:

> "It is well established that even though jurisdiction may exist under the Declaratory Judgment act the granting of declaratory judgments is at the discretion of the district court. (Citing cases.) Said discretion is to be exercised in accordance with sound judicial principles and the purposes of the Declaratory Judgment Act. * * * The purpose of the Declaratory Judgment Act is to afford an added remedy to one who is uncertain of his rights and who desires an early adjudication thereof with-

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[5]This statement from Borchard has been quoted with approval in many cases, including Maryland Casualty Co. v. Boyle Constr. Co., 4 Cir. 1941, 123 F.2d 558, 565; Delno v. Market St. Ry., 9 Cir. 1942, 124 F.2d 965, 968; and American Casualty Co. of Reading, Pa. v. Howard, 4 Cir. 1949, 173 F.2d 924, 928.

out having to wait until his adversary should decide to bring suit, and to act at his peril in the interim."

The bases for refusing declaratory relief were well summarized in Yellow Cab Co. v. City of Chicago, 7 Cal. 1951, 186 F.2d 946, 950-51, as follows:

> "The discretion of a court to entertain a suit for declaratory judgment is a 'judicial discretion' which must find its basis in sound reason * * * and jurisdiction is not to be declined merely because of the existence of another adequate legal remedy * * * or even because of the pendency of another suit, if the controversy between the parties is such that it will not necessarily be determined therein * * *. It is well settled, however, that a declaratory judgment may be refused where it would serve no useful purpose * * * or would not finally determine the rights of the parties * * * or where it is being sought merely to determine issues which are involved in a case already pending and can be properly disposed of therein * * * especially if the issue is one involving a novel question of state law * * * or is, for any other reason, one that can better be adjudicated in another court * * *. Nor should declaratory relief be granted where it would result in piecemeal trials of the various controversies presented or in the trial of a particular issue without resolving the entire controversy * * *." (Citations omitted as indicated by asterisks).

No one factor necessarily controls the court in determining whether it should entertain an action for declaratory judgment. Multiplicity of litigation, however, is al-

ways an important factor. As Professor Moore has well said:

> "The maintenance of separate actions involving the same issues should be discouraged. Where a declaratory action presents issues which would necessarily be settled by another pending state or federal action, the court should weigh the relative merits of each of the two actions *as of the time of the hearing on the motion to dismiss.* The decision on the motion to dismiss should be determined in the light of the purposes of the Act, and by the same principles that normally govern the exercise of judicial discretion in this field—whether a declaratory judgment would serve a useful purpose 'in clarifying and settling the legal relations in issue,' and whether it would 'terminate and afford relief from the uncertainty, insecurity, and controversy giving rise to the proceeding.'" 6 Moore, Federal Practice §57.08[6], at 3042 (2d ed. 1965).

We turn now to the application of these rules to the instant case. It may be noted at the outset that if the case involved the dismissal of an independent action for declaratory judgment, rather than a counterclaim, the district court clearly would have discretion to dismiss by reason of the pendency of the Ohio case. Appellant does not question this conclusion, but argues that in the posture of the entire proceedings in both courts, Preformed having filed both actions, with different defendants, the district court abused its discretion in dismissing the counterclaim. It further argues that the dismissal deprived appellant of due process of law.

As noted supra, the district court dismissed the counterclaim "in light of the dismissal of the complaint and the pending litigation in Cleveland." Both parties assume that the court accepted one or more of the reasons urged by appellee in its motion to dismiss:

> "1. Fanner and McGraw-Edison are acting in contempt of the United States District Court in Cleveland when they collaborate to maintain this action;
>
> "2. The determinations of said District Court as to Fanner products are binding upon McGraw-Edison;
>
> "3. The authorities, especially *E. B. Kaiser Co. v. Rick-Wil Co.*, 95 F.Supp. 54 (N.D. Ohio 1950) demonstrate that said District Court should be allowed to construe its own injunction;
>
> "4. No justiciable issue is created by McGraw-Edison's 'plan' to manufacture dead ends independently if Fanner is unsuccessful."

Prior to the dismissal of this action, Preformed filed motions in the Ohio case to punish Textron Inc.[6] and McGraw-Edison for contempt in conspiring to violate the judgment and injunction issued by the Ohio court. McGraw-Edison argues that it was not a party to the Ohio litigation, is not bound by the "Cleveland injunction", and that the case of E. B. Kaiser, Co. v. Rick-Wil Co. is inapposite since there the same parties were involved in actions instituted in Illinois and Ohio.

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[6]The Fanner Manufacturing Co. was the defendant in the Ohio case. Textron, Inc. is the successor in interest to Fanner. The Fanner Manufacturing Co. has been dissolved, and its business has been continued as Fanner Division of Textron, Inc. (Preformed Line Products Co. v. The Fanner Mfg. Co., supra, at 328 F.2d 267).

Appellee in effect concedes that McGraw-Edison is not bound by the Cleveland judgment and injunction. It does contend, however, that the Ohio court's determination of infringement by Fanner applies equally to all persons who knowingly purchase infringing products from Fanner, and that the Ohio court has jurisdiction to punish for contempt McGraw-Edison or any other person who knowingly aids and abets Fanner in violating the injunction. We agree. Non-parties may be found in contempt of an injunction provided they have actual notice of the injunction and aid or abet in its violation. See Ex parte Lennon, 1897, 166 U.S. 548, 554, 17 S.Ct. 658, 41 L.Ed. 1110, 1113; Rule 65(d) F. R. Civ. P.

The parties agree that as yet there has been no determination in the Ohio litigation of whether the "Straight-Bight Fanngrip" does or does not infringe the patent. This device first appeared on the market after final judgment was entered in the Ohio case. The question of whether it infringes the patent and violates the injunction has been raised in the Ohio court in the contempt proceedings.[7] If the Ohio court finds that the "Straight-Bight Fanngrips" infringe the patent and their production violates the injunction, Fanner will be prevented from the manufacture and sale of that product. If the Ohio court finds that the production of this product does not violate the injunction, then Preformed will be barred from contesting McGraw-Edison's right to purchase it from Fanner.

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[7]Apparently the question of whether the "Straight-Bight Fanngrip" infringes the dead end patent has also been raised in a declaratory judgment action brought by Textron against Preformed in Ohio, which has been consolidated for trial with Preformed's contempt action.

On the other hand, if the district court in this case should hold that the "Straight-Bight Fanngrip" infringes the patent, this determination would not be binding upon Fanner, the manufacturer of the product, and Fanner would still be entitled to a trial of this issue in the Ohio court. It appears accordingly that the issue should first be determined in the Ohio court, where any judgment will be binding upon the manufacturer of the product. Since its counterclaim for declaratory relief was dismissed without prejudice, McGraw-Edison may pursue any appropriate remedy it deems necessary.

We agree with appellee and the district court that "no justiciable issue is created by McGraw-Edison's plan to manufacture dead-ends independently if Fanner is unsuccessful." There is no evidence that McGraw-Edison has made any dead-ends of the type charged to infringe Preformed's patent. All dead-ends presently involved in this action, including the "Straight-Bight Fanngrips", were purchased by McGraw-Edison from The Fanner Manufacturing Company, now a division of Textron, Inc. There is "no actual controversy" with respect to any dead-ends which McGraw-Edison might plan to manufacture in the future. See Aetna Life Ins. Co. v. Haworth, 1937, 300 U.S. 227, 57 S.Ct. 461, 81 L.Ed. 617.

It is true, as appellant contends, that this court might "substitute [its] judgment for that of the court below." Delno v. Market St. Ry., supra, at 124 F.2d 968. On

the other hand, as the Supreme Court said in Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co., 1952, 342 U.S. 180, 183-84, 72 S.Ct. 219, 96 L. Ed. 200, "Necessarily, an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts." While the district court might properly have permitted the counterlcaim to stand pending determination of the Ohio litigation, its dismissal under the circumstances was likewise proper. The district court did not abuse its discretion.

The judgment is affirmed.

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## DISMISSAL OF ACTIONS

### (Rule 41 F.R.C.P.)

Rule 41. Dismissal of Actions.

* * * (2) *By Order of Court.* Except as provided in paragraph (1) of this subdivision of this rule, an action shall not be dismissed at the plaintiff's instance save upon order of the court and upon such terms and conditions as the court deemds proper. If a counterclaim has been pleaded by a defendant prior to the service upon him of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court. Unless otherwise specified in the order, a dismissal under this paragraph is without prejudice. * * *

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## SECTION 3 OF CLAYTON ACT

### (15 U. S. C. § 14)

§ 14. Sale, etc., on agreement not to use goods of competitor.

It shall be unlawful for any person engaged in commerce, in the course of such commerce, to lease or make a sale or contract for sale of goods, wares, merchandise, machinery, supplies, or other commodities, whether patented or unpatented, for use, consumption, or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies, or other commodities of a competitor or competitors of the lessor or seller, where the effect of such lease, sale or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create a monopoly in any line of commerce. Oct. 15, 1914, c. 323, § 3, 38 Stat. 731.

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## DECLARATORY JUDGMENTS ACT

### (28 U.S.C. § 2201 and 2202)

§ 2201. Creation of remedy.

In a case of actual controversy within its jurisdiction, except with respect to federal taxes, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal rela-

tions of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such. June 25, 1948, c. 646, 62 Stat. 964; May 24, 1949, c. 139, § 111, 63 Stat. 105; Aug. 28, 1954, c. 1033, 68 Stat. 890; July 7, 1958, Pub.L. 85-508, § 12(p), 72 Stat. 349.

§ 2202. Further relief.

Further necessary or proper relief based on a declaratory judgment or decree may be granted, after reasonable notice and hearing, against any adverse party whose rights have been determined by such judgment. June 25, 1948, c. 646, 62 Stat. 964.

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## PATENT ACT OF 1952

## (35 U.S.C. § 282)

§ 282. Presumption of validity; defenses.

* * * The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement, or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title * * *.

# PATENT ACT OF 1952

## (35 U.S.C. § 102(a)(b)(e)(f)(g)

§ 102. Conditions for patentability; novelty and loss of right to patent.

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

## UNIFORM COMMERCIAL CODE OF CALIFORNIA (§ 2312)

§ 2312. Warranty of Title and Against Infringement; Buyer's Obligation Against Infringement.

* * *

(3) Unless otherwise agreed a seller who is a merchant regularly dealing in goods of the kind warrants that the goods shall be delivered free of the rightful claim of any third person by way of infringement or the like but a buyer who furnishes specifications to the seller must hold the seller harmless against any such claim which arises out of compliance with the specifications.

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# In the Supreme Court of the United States

OCTOBER TERM 1966.
No. 433.

McGRAW-EDISON COMPANY,
*Petitioner,*

vs.

PREFORMED LINE PRODUCTS COMPANY,
*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT.

## BRIEF IN OPPOSITION.

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT.

## BRIEF IN OPPOSITION.

## QUESTION PRESENTED.

Petitioner has sought to interject as questions presented matters which are neither pertinent to this petition nor supported by the record. Consequently, Respondent rejects Petitioner's confused statement of the Questions Presented (Pet., pp. 2-4).* The only issue presented by the petition is:

> Whether the Court of Appeals erred in holding that the District Court properly exercised its discretion under the Declaratory Judgments Act in dis-

* The following abbreviations will be used throughout this brief:

Pet., p. __: The Petition for Writ of Certiorari.

App., p. __: The Appendix to the Petition for Writ of Certiorari.

[R. __]: The Transcript of Record.

missing without prejudice Petitioner's counterclaim "in light of the pending litigation in Cleveland, Ohio," when all of the controversies raised in the counterclaim have either been determined by or are now before the Cleveland Court.

## STATUTE INVOLVED.

The statute involved is the Federal Declaratory Judgments Act, 62 Stat. 964, 28 U.S.C. § 2201, set forth at App., pp. 18-19, which reads in pertinent part:

> "[A]ny court of the United States . . . *may* declare the rights and other legal relations of any interested party seeking such declaration. . . ." (Emphasis added.)

## SUPPLEMENTAL STATEMENT OF THE CASE.

Petitioner's Statement of the Case is, with one exception,* factually accurate up to the last paragraph on page 8. From that point forward, the statement is devoted to an attack on the reasoning in the Court of Appeals' opinion.

Even though the District Court dismissed this action "in light of the pending litigation in Cleveland, Ohio" [R. 226], Petitioner has omitted from its statement an adequate description of the Cleveland proceedings and the relationship of the present action to them.

Petitioner is one of many distributors of "pole line hardware" used primarily by the electrical and telephone

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* Although not germane to the issue raised in the petition, Respondent feels constrained to point out that the Cleveland District Court did not find the misuse to have been purged by "the passage of time alone" as asserted by Petitioner (Pet., p. 6). See Brief for Respondent, pp. 7-10, *The Fanner Mfg. Co. v. Preformed Line Prods Co.*, 379 U.S. 846 (1964).

industries. Respondent is a manufacturer of such hardware, one item of which is the helically shaped dead end covered by Patent No. 2,761,273. In the Cleveland litigation filed in 1956, Respondent successfully sustained the dead end patent against an infringing manufacturer, The Fanner Manufacturing Company, now a division of Textron, Inc.*

Details of the opinions of the Cleveland District Court and the Sixth Circuit are set forth in the Court of Appeals' opinion (App., p. 6). Fanner's petition for certiorari was denied by this Court. *The Fanner Mfg. Co. v. Preformed Line Prods Co.*, 379 U.S. 846 (1964).

On April 14, 1964, shortly after the Sixth Circuit decision was announced, Petitioner caused the present action to be restored to the trial calendar. Respondent stated to both The City of Los Angeles and Petitioner that since the object of this suit had been accomplished by the injunction against Fanner, Respondent was willing to dismiss this case without prejudice, in exchange for similar dismissals of their counterclaims. The City accepted this offer. Petitioner refused and pushed for early trial.

Since receipt of the mandate by the District Court in Cleveland on October 22, 1964, Fanner has continued to make and sell what it calls "Straight-Bight Fanngrips." Fanner has also continued to finance Petitioner's expenses in this action. Respondent contends that both acts constitute contempt by Fanner of the Cleveland injunction and has there raised these issues through a Motion to Punish for Contempt [R. 189] and Supplemental Motion to Punish for Contempt [R. 185].

Respondent has also charged in the Cleveland case

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* Reference to Fanner in this brief includes its successor in interest, Textron, Inc.

that Petitioner has conspired with Fanner to violate the injunction of the Cleveland Court by reason of Petitioner's active maintenance of this litigation through the collusion of Fanner, and by reason of Petitioner's sale of "Straight-Bight Fanngrips." Accordingly, the Supplemental Motion to Punish for Contempt asks that Petitioner also be required to show cause why it is not in contempt of the Cleveland injunction [R. 198-200].*

## REASONS FOR DENYING WRIT.

Despite Petitioner's multiple "reasons" for review, the District Court's discretionary ruling is the one issue involved in this case. This extremely narrow question raises no important question of federal law requiring decision by this Court.

The writ of certiorari should be denied because:

1. *The ruling below was based upon a sound exercise of judicial discretion.* The Court of Appeals correctly held that the District Court properly exercised its discretion under the Declaratory Judgments Act in dismissing without prejudice Petitioner's counterclaim because of the scope of the issues presented in Cleveland. Acceptance of jurisdiction under the Declaratory Judgments Act is discretionary. *Public Affairs Associates, Inc. v. Rickover*, 369 U.S. 111 (1962); *Brillhart v. Excess Ins. Co.*, 316 U.S. 491 (1942). The Cleveland case was a compelling reason for dismissal of Petitioner's counterclaim. That case was not only the prior action, but also the only action which could completely settle the controversy as to Fanner-made

* The preceding three paragraphs were adopted as an accurate description of the Cleveland proceedings by Petitioner in its brief before the Court of Appeals, p. 31.

products. Furthermore, the decision of the District Court must be allowed that "ample degree of discretion, appropriate for disciplined and experienced judges." *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 183-84 (1952).

2. *There is no conflict of decision.* There is no conflict between the judgments below and the decisions by this Court and the Second Circuit Court of Appeals in *Meccano, Ltd. v. John Wanamaker*, 250 Fed. 250 (2d Cir. 1918), *aff'd*, 253 U.S. 136 (1920). The patent owner in *Meccano* was properly denied a "final judgment on the merits" against a customer of the infringing manufacturer based solely on the decree of another court against that manufacturer. In the case at bar, Respondent sought and obtained no such affirmative relief. Rather, it simply obtained dismissal *without prejudice* of Petitioner's counterclaim.

3. *This case raises no "issues of great moment to the public."* Since the sole question in this case involves dismissal without prejudice of Petitioner's counterclaim, there is no basis to invoke this Court's authority to review a finding of patent validity which raises "issues of great moment to the public," even though there is no conflict of decision. No issue of patent validity or infringement is present here. Furthermore, Petitioner's only interest in the patent in suit is as a distributor of Fanner-made products.

## ARGUMENT.

### I.

### THE JUDGMENTS OF DISMISSAL WITHOUT PREJUDICE ARE SUPPORTED BY BOTH STATUTE AND DECISIONS OF THIS COURT.

#### A. The District Court had Discretionary Power to Dismiss the Counterclaim Without Prejudice.

Although Petitioner asserts that Rule 41(a)(2) of the Federal Rules of Civil Procedure is involved in this action (Pet., pp. 22-23), the Court of Appeals correctly stated that the answer to whether the trial court could properly dismiss the counterclaim for declaratory relief "does not depend upon Rule 41(a)(2), but rather upon a construction of the Federal Declaratory Judgment Act" (App., p. 10).* By its very terms, that Act (62 Stat. 964, 28 U.S.C. § 2201, quoted at App., pp. 18-19) provides that "in a case of actual controversy within its jurisdiction," a court "*may* declare the rights and other legal relations of any interested party seeking such declaration. . . ." (Emphasis added.) This Court has long recognized

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*Rule 41(a)(2) provides that where a counterclaim is pleaded the complaint shall not be dismissed "unless the counterclaim can remain pending for independent adjudication." Whether a counterclaim "can remain pending for independent adjudication" depends on whether dismissal of the complaint would destroy federal jurisdiction and thus deprive the court of the power to proceed to an adjudication of the counterclaim. *United States v. Bero Constr. Corp.*, 148 F.Supp. 295 (S.D.N.Y. 1957); *Lucien Lelong, Inc. v. Dana Perfumes, Inc.*, 138 F.Supp. 575 (N.D. Ill. 1955); 5 MOORE, FEDERAL PRACTICE ¶ 41.09, at 1101 (2d ed. 1964). Since Petitioner's counterclaim raised an independent federal question, *i.e.*, patent validity and infringement, the Court of Appeals rightly concluded "that McGraw-Edison's counterclaim could have remained pending for independent adjudication notwithstanding dismissal of the complaint. The dismissal of the complaint without prejudice accordingly was proper under Rule 41(a)(2)" (App., p. 10).

that acceptance of jurisdiction under the above-quoted provision of the Act is a matter for the discretion of the trial court. *Public Affairs Associates, Inc. v. Rickover*, 369 U.S. 111 (1962); *Brillhart v. Excess Ins. Co.*, 316 U.S. 491 (1942). In the latter case, Mr. Justice Frankfurter stated:

> "Although the District Court had jurisdiction of the suit under the Federal Declaratory Judgments Act, it was under no compulsion to exercise that jurisdiction. The petitioner's motion to dismiss the bill was addressed to the discretion of the court. . . ." *Id.* at 494.

**B. The District Court Properly Exercised its Discretionary Power in Dismissing the Counterclaim Without Prejudice.**

**(1) The Pending Litigation in Cleveland was a Compelling Reason for Dismissal of the Counterclaim Because That Action is the Only One That Can Completely Settle the Controversy as to Fanner-Made Products.**

The questions of when to exercise jurisdiction, when to hold jurisdiction in abeyance, and when to reject jurisdiction under the Declaratory Judgments Act are to be determined by the trial court. See *Brillhart v. Excess Ins. Co.*, 316 U.S. 491 (1942). In making that determination, the courts have developed and been guided by two tests, well summarized by Professor Borchard as follows:

> "The two principal criteria guiding the policy in favor of rendering declaratory judgments are (1) when the judgment will serve a useful purpose in clarifying and settling the legal relations in issue, and (2) when it will terminate and afford relief from the uncertainty, insecurity, and controversy giving

rise to the proceeding. It follows that when neither of these results can be accomplished, the court should decline to render the declaration prayed." BORCHARD, DECLARATORY JUDGMENTS 299 (2d ed. 1941).

When it appears that an action for declaratory relief "will not finally settle the rights of the parties,"* or that such relief is being sought "merely to try or determine the validity of defenses in pending cases,"** or that the action "would result in piecemeal trials of the various controversies presented . . . without resolving the entire controversy," *** the courts have uniformly held that sound reason compels refusal of the request for declaratory relief. This Court has so held on many occasions. See, *e.g., Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180 (1952).

In conformity with the foregoing rules, the Court of Appeals held that the District Court had sound reason for declining to assume jurisdiction of Petitioner's counterclaim "in light of the pending litigation in Cleveland, Ohio." Both the District Court and the Court of Appeals recognized that a trial of Petitioner's counterclaim would serve no useful purpose, because only the Cleveland Court can determine all issues as to Fanner-made products, *which are the only products involved in either this or the Cleveland case.* The Cleveland Court had already made final determinations (all rights of appeal having been exhausted) with respect to validity of the patent,

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* *Aetna Casualty & Surety Co. v. Quarles*, 92 F.2d 321, 324 (4th Cir. 1937).

** *American Automobile Ins. Co. v. Freundt*, 103 F.2d 613, 619 (7th Cir. 1939).

*** *Yellow Cab Co. v. City of Chicago*, 186 F.2d 946, 951 (7th Cir. 1951). See also *Hammett v. Warner Bros. Pictures, Inc.*, 176 F.2d 145 (2d Cir. 1949).

infringement by the earlier form of dead end, misuse,* and purge. With regard to Fanner-made products, this left as the only remaining issue whether the modified "Straight-Bight Fanngrip" came within the Cleveland Court's injunction.

If the Cleveland Court finds that the "Straight-Bight Fanngrip" does not violate its injunction, then Respondent will be barred from contesting Petitioner's right to purchase it from Fanner. *Kessler v. Eldred,* 206 U.S. 285 (1907). On the other hand, if the Cleveland Court finds that this product does violate its injunction, Fanner will be prevented from further manufacture and sale of "Straight-Bight Fanngrips," thus eliminating the source of the present controversy. Hence, however the case is decided, the Cleveland Court's decision will put an end to the controversy as to Fanner-made products.

In contrast, the District Court, had it decided to assume jurisdiction of Petitioner's counterclaim, could not have resolved the entire controversy. The reason was, and is, that any determination made by it as to the "Straight-Bight Fanngrip" would not have been binding on Fanner, which clearly would have been entitled to a trial of this issue in the Cleveland Court. Accordingly, the Court of Appeals correctly concluded "that the issue should first be determined in the Ohio court, where any judgment will be binding upon the manufacturer of the product." (App., p. 16).

Petitioner asserts that it "plans" to manufacture dead ends independently if Fanner's defense of the "Straight-

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* Petitioner is wrong when it states that it "first asserted the stated misuse in its pleading lodged with a motion filed June 10, 1964" (Pet., pp. 15-16). The very same theory of misuse was asserted by Fanner in its unsuccessful motion for rehearing before the Sixth Circuit, filed March 24, 1964, and denied May 7, 1964.

Bight Fanngrip" fails. Respondent agrees that if Petitioner enters the field of manufacturing such dead ends, it could thereafter challenge the dead end patent. But mere inchoate "plans" do not entitle Petitioner to an advisory opinion as to validity and infringement of the dead end patent. The District Court recognized and the Court of Appeals held, in accordance with the principles announced by this Court in *Aetna Life Ins. Co. v. Haworth,* 300 U.S. 227 (1937), that "there is 'no actual controversy' with respect to any dead-ends which McGraw-Edison might plan to manufacture in the future," and hence no justiciable issue upon which relief can be granted (App., p. 16).

**(2) There is no Showing That the District Court Abused its Discretion in Dismissing Petitioner's Counterclaim Without Prejudice.**

Based on principles enunciated by this Court, it has become well established that the judgment of a trial court whether to assume or decline jurisdiction of a claim for declaratory relief will be reviewed only to consider whether an abuse of discretion appears. Speaking to this rule in *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.,* 342 U.S. 180 (1952), Mr. Justice Frankfurter pointed out that this matter is perforce one as to which the reviewing court ought not substitute its judgment:

> "Wise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation, does not counsel rigid mechanical solution of such problems. The factors relevant to wise administration here are equitable in nature. Necessarily, an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts. The conclusion which we are asked to upset derives from an extended and careful

> study of the circumstances of this litigation. Such an estimate has led the Court of Appeals twice to conclude that all interests will be best served by prosecution of the single suit in Illinois. Even if we had more doubts than we do about the analysis made by the Court of Appeals, we would not feel justified in displacing its judgment with ours." *Id.* at 183-84.

See also *Duggins v. Hunt*, 323 F.2d 746 (10th Cir. 1963); *Wheeldin v. Wheeler*, 280 F.2d 293 (9th Cir. 1960).

Permitting the District Court an ample degree of discretion and taking into consideration the pending litigation in the Cleveland Court where all issues as to Fanner-made products can be fully and finally resolved, the Court of Appeals concluded that there was no showing that the District Court had abused its discretion (App., p. 17). Petitioner has made no different showing here.

## II.

## THE JUDGMENTS OF DISMISSAL WITHOUT PREJUDICE ARE NOT IN CONFLICT WITH THIS COURT'S DECISION IN MECCANO, LTD. V. JOHN WANAMAKER.

Petitioner's arguments that it was deprived of due process of law and that the decisions below are in conflict with decisions of this and other courts (Pet., pp. 16-22), ignore the fact that there was no decision on the merits of the controversy asserted in the counterclaim. Respondent's motion for dismissal of the counterclaim did not seek affirmative relief, and as the Court of Appeals pointed out: "Since its counterclaim for declaratory relief was dismissed *without prejudice*, McGraw-Edison may pursue any appropriate remedy it deems necessary" (App., p. 16). (Emphasis added.) It defies all reason for Petitioner to argue that the effect of such dismissal without

prejudice was "finally to decide McGraw-Edison's rights" (Pet., p. 18).*

The judgments below neither violate the principles announced by, nor are in conflict with, the decisions of the Second Circuit and this Court in *Meccano, Ltd. v. John Wanamaker*, 250 Fed. 250 (2d Cir. 1918), *aff'd*, 253 U.S. 136 (1920). A review of the facts and the nature of the relief sought there will make it abundantly clear that the case at bar does not fall within the ambit of those decisions.

The patent owner, Meccano, sought to enjoin violation of its patent rights in two different circuits. It first obtained a decree in its favor against one Wagner, the manufacturer, in an Ohio District Court. *Meccano, Ltd. v. Wagner*, 234 Fed. 912 (S.D. Ohio 1916). Meccano then commenced an action against John Wanamaker, a customer of the manufacturer, in a New York District Court. There, Meccano requested and was granted an injunction *pendente lite* against further sale by Wanamaker of the infringing product. *Meccano, Ltd. v. John Wanamaker*, 241 Fed. 133 (S.D.N.Y. 1917). Wanamaker appealed the preliminary injunction to the Second Circuit. In the interim, the Sixth Circuit affirmed in part the decision of the Ohio District Court. *Wagner v. Meccano Ltd.*, 246 Fed. 603 (6th Cir. 1917). Meccano then moved in the Second Circuit for a "decision on the merits" and a "final decree" on the basis of the Ohio decrees in its favor against the manufacturer.

Passing the procedural question of whether it could enter a "final decree" for the plaintiff on an appeal concerning only a preliminary injunction, the Second Circuit denied the motion on its merits. The court held that it

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* Due process does not require that every person who files an action for declaratory relief be granted a trial, because, as just demonstrated, acceptance of jurisdiction is by statute discretionary. See Argument I-A, *supra*.

could not grant such summary and affirmative relief, and in so holding rejected Meccano's contention that the record in the Ohio proceedings constituted "a complete estoppel against the defendant . . . and leaves open no issues for determination between the parties." *Meccano, Ltd. v. John Wanamaker*, 250 Fed. 250, 251 (2d Cir. 1918). This Court affirmed, stating that the Court of Appeals was correct in deciding that it could not finally adjudicate defendant's rights nor "decide the several issues involved upon their merits" upon "*ex parte* affidavits and decrees of other courts." *Meccano, Ltd. v. John Wanamaker*, 253 U.S. 136 (1920).

Petitioner asserts that the judgments of the courts below are in "conflict" with the *Meccano* decisions. In so contending, it equates Respondent's motion to dismiss the counterclaim with Meccano's motion for a "decision on the merits" restraining Wanamaker from further sale of infringing products. There is no analogy. Here, Respondant did not move for a "decision on the merits" in requesting dismissal of the counterclaim, and the District Court ordered dismissal *without prejudice*.

## III.

## NO ISSUE OF GREAT MOMENT TO THE PUBLIC OR PATENT VALIDITY IS INVOLVED IN THIS CASE.

This Court has held that a writ of certiorari will not issue to review a finding of patent validity in the absence of conflict between decisions of circuit courts of appeal. *General Talking Pictures Corp. v. Western Elec. Co.*, 304 U.S. 175 (1938).

Nevertheless, in certain cases the possession or assertion of patent rights raises "issues of great moment to the public." *Precision Instrument Mfg. Co. v. Automotive*

*Maintenance Mach. Co.*, 324 U.S. 806, 815 (1945) (where the history of the patents and contracts in issue was "steeped in perjury"). Accordingly, this Court has on rare occasions granted certiorari when questions of national patent policy are in issue without a conflict between circuits. This has occurred when the public interest is endangered by the practice of fraud, or the affected industry is concentrated in a single circuit, making a conflict of decisions improbable.* *Mackay Radio & Tel. Co. v. Radio Corp of America*, 306 U.S. 86 (1939) (plaintiff and defendant were the only companies engaged in worldwide public radio communications); *Schriber-Schroth Co. v. Cleveland Trust Co.*, 305 U.S. 47 (1938) (concentration of automobile manufacturers in Sixth Circuit); *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126 (1942) (concentration of ball rolling game manufacturers in Seventh Circuit); *Muncie Gear Works, Inc. v. Outboard Marine & Mfg. Co.*, 315 U.S. 759 (1942) (concentration of outboard motor manufacturers in Seventh Circuit).

In citing the foregoing cases, Petitioner has neglected to point out that in all of them the petitioner was either a manufacturer or holder of the patent in suit, and that the issues presented involved holdings below on validity and infringement. Petitioner in this case has no interest in the patent outside of its interest as a distributor of Fanner-made products, and no patent issues were determined below. The issue raised by the petition involves only the question of whether the District Court properly exercised its discretion in dismissing Petitioner's counterclaim without prejudice. This is plainly not a case where the "validity and infringement of the . . . patent . . .

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* It is common knowledge in the industry and a widely advertised fact that Respondent has plants in California and Georgia, as well as in Ohio.

[are] in doubt" and "petitioner is the only competitor of respondent in the business. . . ." *Mackay Radio & Tel. Co. v. Radio Corp. of America*, 306 U.S. 86, 89 (1938).

## CONCLUSION.

Respondent respectfully submits that this case presents no important question of federal law; that the sole issue raised by the petition is whether the District Court properly exercised its discretion in dismissing the counterclaim without prejudice in deference to the prior Cleveland action; and that the courts below recognized that Petitioner's counterclaim could serve no useful purpose, but was simply calculated to achieve a retrial of the patent issue in California at Fanner's instance.

Respectfully submitted,

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# IN THE Supreme Court of the United States

October Term, 1966
No. 433

McGRAW-EDISON COMPANY,
*Petitioner,*

*vs.*

PREFORMED LINE PRODUCTS COMPANY,
*Respondent.*

## PETITIONER'S REPLY BRIEF.

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IN THE

# Supreme Court of the United States

October Term, 1966
No. 433

McGRAW-EDISON COMPANY,

*Petitioner,*

*vs.*

PREFORMED LINE PRODUCTS COMPANY,

*Respondent.*

## PETITIONER'S REPLY BRIEF.

### Comment on Respondent's Brief.

Respondent's proffered restriction and restatement of the questions presented to a single "issue" is unwarranted and misleading.

Says Respondent, the *only* issue presented by the petition is

> "Whether the Court of Appeals erred in holding that the District Court properly exercised its discretion under the Declaratory Judgment Act in dismissing without prejudice Petitioner's counterclaim 'in light of the pending litigation in Cleveland, Ohio,' *when all of the controversies raised in the counterclaim have either been determined by or are now before the Cleveland Court.*"[1] (Emphasis added.)

Passing for the moment the fact that the parties are not the same, and that McGraw-Edison is not, and

[1]Resp. Br. pp. 1-2.

will not, be bound by the Cleveland litigation, we will outline the respective controversies.

**Preformed v. Fanner.**

The controversies relevant to the argument here which were decided in *Preformed v. Fanner* (the Cleveland, Ohio case), Civil Action No. 33,196, 328 F. 2d 265 (Feb. 19, 1964) were:

1. Article claims 1, 3, 5 and 8-14, and method claims 6 and 15 of Patent No. 2,761,273:

   (a) Were valid over the prior art there before the court when construed to cover a half lay of helical elements bent back upon itself to form a bight portion. (328 F. 2d 265, at 273.)

   (b) The helical bight form of Fanner dead end infringed said claims. (328 F. 2d 265, at 273.)

2. Preformed had misused Patent No. 2,761,273 and violated Section 3 of the Clayton Act:

   (a) By a general policy of refusing to sell to distributors or dealers unless they agreed to sell Preformed's products exclusively. (328 F. 2d 265, at 274.)

   (b) By restricting competition in unpatented armor rods by tying the purchase of such devices to the purchase of the patented dead ends. (328 F. 2d 265, at 275.)

3. Preformed became purged of any misuse of Patent No. 2,761,273 on August 1, 1961, and the patent was enforceable henceforth. (328 F. 2d 265, at 279.)

The controversies relevant to the argument here which are now pending in said (Cleveland, Ohio case) Civil Action No. 33,196,[2] which have not been determined are:

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[2]The pleadings in *Textron, Inc. v. Preformed*, C.A. C-64-671, were not before the District Court in California and are not in the

1. Whether Textron, Inc. (successor of Fanner) has infringed said patent by the manufacture and sale of the Straight Bight Fanngrips.

2. Whether Textron, Inc. is guilty of contempt by paying some of the expenses incurred by McGraw-Edison Company pursuant to Textron's statutory obligation under the Commercial Code of Ohio.

**Preformed v. McGraw-Edison,**

Issues tendered (and undecided by reason of dismissal without trial) by McGraw-Edison's counterclaim [R. p. 136][3]:

1. Whether said Patent No. 2,761,273, as to *all* claims (not limited to those adjudicated in the Cleveland litigation) is invalid, and whether McGraw-Edison has infringed any claims by selling dead ends purchased from Textron—

(a) The original structures with helical bights.

(b) The new structures identified as Straight Bight Fanngrips.

2. Whether McGraw-Edison, if its source is cut off, can lawfully manufacture or have manufactured for it, *the straight bight* dead end. (Pet. p. 13.)

3. Whether Preformed, the largest manufacturer and seller of helically preformed reinforcements and attachments for use on electric cables, and the dominant company in this field, has violated the Clayton Act by:

---

record here. However, irrespective of any possible overlapping of issues, McGraw-Edison is not a party.

[3]For convenient reference, this pleading is reproduced in the Appendix hereto, p. 1.

(a) engaging in the practice of selling dead ends allegedly protected by Patent No. 2,761,273, conditioned on the purchase by the buyer of other helical products not within the protection of this patent or any other patent.

(b) engaging in a general policy of refusing to sell its products including dead ends to distributors or dealers unless they agree to sell Preformed's products exclusively.

2. Whether Preformed has misused Patent No. 2,761,273 by engaging in the practice of selling unpatented components which can be used when forming dead ends allegedly protected by said patent, and granting an implied license to the purchasers of such components to employ them in completing the patented devices, treating as infringers of said patent those who form dead ends of similar components acquired elsewhere.

5. Whether Preformed is guilty of misuse of said Patent No. 2,761,273 by seeking to enforce it against McGraw-Edison on an untenable theory of contributory infringement.

The foregoing issues to be tried encompass acts over a time period from the inception of the controversy to the filing date of the McGraw-Edison counterclaim, October 2, 1964 [R. 146], and continuing thereafter.

The controversies between Preformed and McGraw-Edison will not be settled by the decision in the litigation now pending in Cleveland regardless of how the Court there decides the issue of infringement involving the Straight Bight Fanngrips.

## ARGUMENT.

### I.

### The District Court Had No Discretion to Refuse to Continue Jurisdiction Over the Case Presented by the Counterclaim Which Was Properly Before the Court and Which Was Entirely Appropriate for Declaratory Adjudication.

This rule is axiomatic,[4] and consonant with the decisions of this Court to the effect that while the acceptance of jurisdiction under the Declaratory Judgments Act is discretionary, the discretion is a judicial one, to be soundly exercised, in the public interest, and is subject to review.

*Eccles v. Peoples Bank,* 333 U.S. 426, 68 S. Ct. 641, 92 L. Ed. 784;

*Public Affairs Associates v. Rickover,* 369 U.S. 111, 82 S. Ct. 580, 7 L. Ed. 2d 604;

*O. Z. Evers et al. v. John T. Dwyer et al.,* 358 U.S. 202, 3 L. Ed. 2d 222, 79 S. Ct. 178, following *Maryland Casualty Co. v. Pacific Coal & Oil Co.,* 312 U.S. 270, 85 L. Ed. 826, 61 S. Ct. 510;

*Kerotest Mfg. Co. v. C-O-Two Fire Equipment Co.,* 342 U.S. 180, 72 S. Ct. 219, 96 L. Ed. 200.

"Where an actual controversy with federal jurisdiction exists over the legal relations of adverse parties, discretion usually cannot properly be exercised by refusing an adjudication. Meredith v. Winter Haven, 320 U.S. 228, 88 L. Ed. 9, 64 S.

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[4]See Borchard, Declaratory Judgments, Second Ed., 1941, p. 314.

Ct. 7; cf. Beel v. Hood, 327 U.S. 678, 90 L. Ed. 939, 66 S. Ct. 773. Unusual circumstances, not here present such as other pending suits, Brillhart v. Excess Ins. Co., 316 U.S. 491, 86 L. Ed. 1620, 62 S. Ct. 1173, * * * sometimes justify refusal of relief." *Eccles v. Peoples Bank, supra,* 333 U.S. at 436.

In *Public Affairs, supra,* this Court said, *Per Curiam,* "Of course a District Court cannot decline to entertain such an action [declaratory judgment] as a matter of whim or personal disinclination. 'A declaratory judgment, like other forms of equitable relief, should be granted only as a matter of judicial discretion, exercised in the public interest.' Eccles v. Peoples Bank [citation]."

In the *Evers* case, *supra,* the District Court dismissed the complaint on the ground that no "actual controversy" had been shown. The Supreme Court, *Per Curiam,* quoted from Maryland Casualty: "Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." This Court then held that the record established the existence of an actual controversy which should have been adjudicated by the lower court, and reversed the judgment of dismissal.

The *Brillhart* case, cited as an example of unusual circumstances, involved a motion to dismiss a declaratory relief complaint on the claim that since another proceeding was pending in a state court in which *all*

*the matters in controversy between the parties* could be fully adjudicated, a declaratory judgment in the federal court was unwarranted. The Supreme Court held that the correctness of this claim was relevant in determining whether the District Court should assume jurisdiction and proceed to determine the rights of the parties.

In *Kerotest*,[5] *supra*, an infringement action was brought by the patent owner in Illinois, against a customer of the manufacturer, and an amended complaint brought in the manufacturer. *All* the parties were before the court for a full trial. *After* the suit was filed in Illinois, the manufacturer brought a declaratory judgment action in Delaware against the patent owner. Only the two parties were involved in the second action. The Delaware action was stayed and the Illinois action permitted to proceed, as all parties and all controversies were there present.

## II.

## The Pending Litigation in Cleveland Cannot Support Dismissal of the Counterclaim.

A declaratory judgment may not be refused because of the pendency of another suit, if the controversy will not necessarily be determined in such suit. See 26 Corpus Juris Secundum, p. 91, and cases cited in Note 90 (same page).

Respondent's argument that the Cleveland "action" is the only one that can completely settle the controversy as to Fanner-made products ignores all other issues tendered by the counterclaim.

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[5]The Supreme Court granted certiorari because "a question of importance to the conduct of multiple litigation in the federal judicial system was involved."

The controversy here is not limited to whether McGraw-Edison's dealings in Textron-produced dead ends constitute infringement. Among other things, *validity of the patent is in issue between McGraw-Edison and Preformed.* That it has already been determined as between Fanner and Preformed does not foreclose McGraw-Edison. Moreover, the issue of validity will be different when Preformed attempts to read the patent claims on structures such as the Straight Bight Fanngrips, not involved in the original adjudication of validity.

Even though a decision of non-infringement may dispose of a complaint and answer, it does not dispose of a counterclaim for declaratory relief which raises the question of validity.

> *Altvater v. Freeman,* 319 U.S. 359, 87 L. Ed. 1450, 63 S. Ct. 1115.

Mr. Justice Douglas, writing the opinion in Altvater, pointed out that "Sola Electric Co.[6] v. Jefferson Electric Co., 317 U.S. 173, * * * is authority for the proposition that the issue of validity may be raised by a counterclaim in an infringement suit." Footnote adds: "And see Leach v. Ross Heater & Mfg. Co. (C.C.A. 2d) 104 F. (2d) 88; Borchard, Declaratory Judgments, 2d Ed. pp. 812-814."

Respondent significantly admits "that if Petitioner enters the field of manufacturing such dead ends [Straight Bight Fanngrips], it could thereafter challenge the dead end patent." [Resp. Br. p. 10.]

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[6]It is noteworthy that the Supreme Court granted certiorari in *Sola* because the question involved was of importance to the administration of the patent laws and the Sherman Antitrust Act.

> *Sola Electric Co. v. Jefferson Electric Co.* 317 U.S. 173, 87 L. Ed. 165, 63 S. Ct. 172.

The distinction is without merit. The Patent Laws give the owner of a valid patent the right to exclude others from manufacturing, using or selling the patented device, *in the disjunctive*.

If McGraw-Edison can be sued for selling a product, it can challenge validity of the patent. It has done so. It is entitled to a trial.

Even if the Straight Bight Fanngrips made by the Fanner Division of Textron are held in Cleveland not to infringe, McGraw-Edison still has the right to try the question of validity. *Altvater v. Freeman, supra.* If such devices are held to infringe, the need for challenging validity is even more obvious. The source of the dead ends dealt in by McGraw-Edison is not the criteria. Drying up the present source will not end the controversy.

In contrast, a trial on the counterclaim in California will decide all controversies between Preformed and McGraw-Edison.

If the District Court in California decides that the patent is invalid, McGraw-Edison can deal in dead ends (old form or new) whether it continues to purchase from Textron or acquires them elsewhere or manufactures them itself. If the District Court in California decides that the patent is valid but not infringed by the Straight Bight dead end, McGraw-Edison can likewise continue to deal in them regardless of source. If the Court holds the patent valid and infringed, determination of that controversy is made.

What Respondent refuses to acknowledge is that it started two actions in two jurisdictions, against different defendants, for different acts of alleged infringe-

ment, and that as a result, each defendant has its own independent controversy with Respondent, and defendant McGraw-Edison Company has its own responsibility to indemnify its customers. [Pet. pp. 3 and 19.]

We thus dispose of the argument that pendency of the Cleveland "action" justifies dismissal of Petitioner's counterclaim.

## III.

## Even Under a "Single Issue" Presentation Demanded by Respondent, a Correct Question Would Demonstrate That the Petition Should Be Granted.

Petitioner reaffirms and adheres to its full presentation in the petition. However, in direct reply to Respondent's insistence that a single issue should be framed, if that be so, it should be as follows:

> Has a District Court, already having jurisdiction of the parties and the cause of action for patent infringement pleaded by the complaint, discretion to refuse to entertain a proper counterclaim asserting invalidity, non-infringement, patent misuse, and violation of the antitrust laws, when there is no other action pending between the same parties?
>
> The answer should be NO.

*The question and answer can have far reaching implications in the administration of the patent and antitrust laws, and as thus limited has not been decided by the Supreme Court so far as Petitioner can ascertain.*

Prior to 1934, when the Federal Declaratory Judgment Act of June 14, 1934 (48 Stat. at L. 955, 28

U.S.C. 400) was passed, the patentee was the only one in a position to initiate a suit involving a charge of infringement. He could, without actually bringing suit, threaten a manufacturer and his customers, gravely injuring his competitor's business, often forcing a settlement. He could bring suit, prolong the case, and move to dismiss without prejudice up to the time of trial, and then repeat the procedure.[7]

The patent owner might use an invalid patent, or a restricted patent to assert much wider scope of infringement. He might sue, not the manufacturer, but a remote small dealer, hoping for a consent judgment. If the dealer defended, or the manufacturer intervened, he could dismiss without prejudice.

The alleged infringer was forced to await the pleasure of the patentee in bringing the issues of validity and infringement to judicial determination.

These unfair, but legally privileged, tactics had been long and widely criticized. Attempts to amend the Patent Laws were unsuccessful. Finally, the Federal Declaratory Judgments Act provided the remedy.

The lower federal courts have now almost unanimously recognized that in patent infringement suits there is material prejudice to the defendant in arbitrary withdrawal by the plaintiff, that a counterclaim to prevent withdrawal serves a useful social purpose, and that it is better to have the whole issue adjudicated in the forum the patentee has selected. See *Borchard, supra,* and cases cited, pages 812-814.

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[7] *United Motors Service, Inc. v. Tropic Aire, Inc.*, 57 F. 2d 479, C.A. 8, 1932. The mere annoyance of another action after dismissal was not depriving the defendant of a "substantial right." *New York Life Ins. Co. v. Driggs*, 72 F. 2d 833, C.A. 4, 1934.

If the Supreme Court accepts this principle, and assumes the qualifications stated in the question above, it should be clear that the District Court erred in dismissing the counterclaim, and the Court of Appeals for the ninth Circuit erred in affirming.

## Conclusion.

For the reasons set forth in the petition, as supplemented by this reply, the petition for writ of certiorari should be granted.

Respectfully submitted,

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## APPENDIX.

### SECOND AMENDED AND SUPPLEMENTAL ANSWER AND COUNTERCLAIM ON BEHALF OF McGRAW-EDISON COMPANY.

Pursuant to order of the Court made September 24, 1964, Defendant McGraw-Edison Company for its second amended and supplemental answer to the complaint in the above action and for its counterclaim states as follows:

1. Defendant admits the allegations of paragraph I of the complaint insofar as they relate to this defendant.

2. Defendant admits the allegations as to jurisdiction of this action in paragraph II of the complaint but denies that it has committed any act of infringement either within this District at Los Angeles, California, or elsewhere.

3. Defendant admits that U. S. Letters Patent No. 2,761,273 issued on September 4, 1956 and that plaintiff is the owner of said Letters Patent, but denies all other allegations of paragraph III of the complaint and specifically denies that said Letters Patent were duly and legally issued.

4. Defendant denies the allegations of paragraph IV of the complaint.

5. Defendant denies the allegations of paragraph V of the complaint.

First Defense

Further answering and for its first defense, defendant says that U. S. Patent No. 2,761,273 is invalid and not infringed for the following reasons:

6. Said Patent No. 2,761,273 is anticipated by and reads directly on the disclosure of prior Patent No. 2,202,538 granted May 28, 1940 to Rolf Selquist.

7. The claims of said Patent No. 2,761,273 are directed to subject matter which involves only ordinary skill in the art and lacks patentable invention over or is anticipated by the following prior U. S. patents and prior publications:

U. S. Patent No. 2,202,538
Granted May 28, 1940 to Rolf Selquist
U. S. Patent No. 2,275,019
Granted March 3, 1942 to Thomas F. Peterson
U. S. Patent No. 337,513
Granted March 9, 1886 to Arthur J. Moxham
U. S. Patent No. 2,414,136
Granted January 14, 1947 to Henry W. Bodendieck
Electrical World June 9, 1945 pages 98 and 99
Electrical World June 23, 1945 pages 81, 82 and 83

and possibly other patents and publications for which search is being made, and particulars of which will be supplied by notice when ascertained.

8. As against any claim of infringement of said Patent No. 2,761,273, the products sold by defendant are in the public domain and are justified by the prior art previously cited.

9. Claims of said Patent No. 2,761,273 are directed to subject matter that was not within the original disclosure but which was added to the patent specification

long after the filing date thereof, was not supported by statutory oath, was not entitled to the benefit of the filing date of said patent and was in extensive public use more than one year prior to the addition thereof to the patent specification.

10. The claims of Patent No. 2,761,273 do not particularly point out and distinctly claim the subject matter which the applicant regarded as his invention with the sufficiency required by the patent laws.

11. Thomas F. Peterson was not the original, first and sole inventor of the alleged invention of Patent No. 2,761,237.

12. The alleged invention of Patent No. 2,761,273 is patented in plaintiff's prior patents Nos. 2,275,019 and 2,587,521 issued to Thomas F. Peterson, each allegedly assigned to plaintiff, and plaintiff is thereby illegally extending the effective term of its patent monopoly beyond the term of seventeen years provided by statute.

13. Said Letters Patent No. 2,761,273 is invalid for double patenting over and as an unlawful attempt to extend the monopoly of said Letters Patent No. 2,275,019, and/or No. 2,587,521.

Second Defense

For its second defense, defendant McGraw-Edison Company says that the plaintiff is estopped to assert Patent No. 2,761,273 against this defendant because plaintiff has misused Patent No. 2,761,273 by a general abuse of the patent monopoly and by violating Section 3 of the Clayton Act (15 U.S.C. 14) as follows:

14. The plaintiff is the largest manufacturer and seller in the United States of helically preformed rein-

forcements and attachments for use on electric cables, is the owner of a number of United States patents and several pending applications relating to said helically preformed reinforcements and attachments, and is the dominant company in this field;

15. Plaintiff has engaged in the practice of selling dead ends allegedly protected by Patent No. 2,761,273 conditioned on the purchase by the buyer of other helical products not within the protection of this patent or any other patent;

16. Plaintiff has engaged in a general policy of refusing to sell its products including dead ends to distributors or dealers unless they agreed to sell plaintiff's products exclusively.

Third Defense

For its third defense, defendant says that plaintiff has misused said Patent No. 2,761,273, and is estopped to assert it against defendant for the following reasons:

17. Plaintiff never has and does not now sell dead ends for cables defined in the claims of Patent No. 2,761,273. It has and does engage in a practice of selling certain unpatented components which can be used when forming dead ends allegedly protected by said patent, and grants an implied license to the purchasers of such components to employ them in completing the patented devices, treating as infringers of said patent those who form dead ends allegedly protected by said patent of components not supplied by plaintiff, thereby illegally extending the scope of plaintiff's patent monopoly by restricting competition in unpatented articles which it sells.

## Fourth Defense

For its fourth defense, defendant says that plaintiff has misused said Patent No. 2,761,273, and is estopped to assert it against defendant for the following reasons:

18. Defendant does not make or use or sell dead ends for cables defined in the claims of Patent No. 2,761,273. On the contrary, it sells certain components which can be employed in completing dead ends allegedly protected by the patent, but these components are unpatented staple articles of commerce suitable for substantial uses outside the alleged protection of said patent. For such reasons defendant's aforesaid acts do not and cannot constitute either infringement or contributory infringement of said patent.

19. Plaintiff has knowledge of the facts recited in paragraph 18, and in pursuing its course of action herein against this defendant, knows it can do so only upon attempted proof of contributory infringement; it knows that defendant is not guilty of contributory infringement; and by seeking to enforce its patent against this defendant plaintiff is guilty of misuse or illegal extension of its alleged patent right and must be denied relief.

## Fifth Defense

20. Thomas F. Peterson, applicant for the patent in suit, No. 2,761,273, did not himself invent the subject matter sought to be patented but derived the invention from one Rolf Selquist under the following circumstances: Said Selquist filed an application for U. S. Letters Patent and as a part of the disclosure in the file of said application described the subject matter subsequently claimed by Peterson in the patent in suit, No. 2,761,273. Long prior to said Peterson's

alleged conception of the "invention" in said patent in suit, he had access to and was familiar with the aforesaid description in the Selquist application file, and derived the "invention" from Selquist. Consequently, Peterson did not himself conceive the subject matter of the patent in suit, and not having conceived the same, he was not the inventor thereof. Said patent in suit is therefore invalid under U. S. Code, Title 35, §§ 102(f).

Sixth Defense

The U. S. Letters Patent No. 2,761,273 is invalid and/or unenforceable against defendant McGraw-Edison Company by reason of the following circumstances:

21. Thomas F. Peterson, the patentee, unreasonably delayed the prosecution of the applications which resulted in the patent in suit, and the issuing of said patent, and thereby unconscionably deferred the term of the monopoly thereof, against the public interest and to the prejudice of this defendant.

Counterclaim

First Cause

As its first cause by way of counterclaim, defendant McGraw-Edison Company says:

22. This counterclaim constitutes a petition for a declaratory judgment under the Declaratory Judgment Act, 28 U.S.C. Sections 2201 and 2202, and under the patent laws of the United States. An actual controversy exists within the jurisdiction of this Court relative to the validity of Patent No. 2,761,273, the infringement thereof by this defendant, and the rights of this defendant thereunder.

23. U. S. Letters Patent No. 2,761,273 to Thomas F. Peterson is invalid for each and every reason set forth in paragraphs 6 through 13 of the First Defense, paragraph 20 of the Fifth Defense, and paragraph 21 of the Sixth Defense, of this defendant, here incorporated by reference.

24. This defendant has not infringed said Letters Patent No. 2,761,273.

Second Cause

As its second cause by way of counterclaim defendant McGraw-Edison Company says:

25. This counterclaim constitutes a petition for a declaratory judgment under the Declaratory Judgment Act, 28 U.S.C. Sections 2201 and 2202, and under the patent laws of the United States. An actual controversy exists within the jurisdiction of this Court relative to the validity of Patent No. 2,761,273, the infringement thereof by this defendant, misuse of said patent and violation of the Clayton Act by the plaintiff, and the rights of this defendant in the premises.

26. Plaintiff is estopped to assert United States Patent No. 2,761,273 against defendant McGraw-Edison Company for the reasons set forth in the Second Defense of this Amended and Supplemental Answer and Counterclaim here incorporated by reference.

Third Cause

As its third cause by way of counterclaim, defendant McGraw-Edison Company says:

27. This counterclaim constitutes a petition for a declaratory judgment under the Declaratory Judgment Act, 28 U.S.C. Sections 2201 and 2202, and under the

patent laws of the United States. An actual controversy exists within the jurisdiction of this Court relative to the validity of Patent No. 2,761,273, the infringement thereof by this defendant, and the rights of this defendant thereunder.

28. Plaintiff is estopped to assert U.S. Letters Patent No. 2,761,273 to Thomas F. Peterson against defendant McGraw-Edison Company for the reasons set forth in paragraph 17 of the Third Defense herein, here incorporated by reference.

Fourth Defense

As its fourth cause by way of counterclaim, defendant McGraw-Edison Company says:

29. This counterclaim constitutes a petition for a declaratory judgment under the Declaratory Judgment Act, 28 U.S.C. Sections 2201 and 2202, and under the patent laws of the United States. And actual controversy exists within the jurisdiction of this Court relative to the validity of Patent No. 2,761,273, the infringement thereof by this defendant, and the rights of this defendant thereunder.

30. Plaintiff is estopped to assert U.S. Letters Patent No. 2,761,273 to Thomas F. Peterson against defendant McGraw-Edison Company for the reasons set forth in paragraphs 18-19 of the Fourth Defense herein, here incorporated by reference.

Fifth Cause

For its fifth cause by way of counterclaim, defendant McGraw-Edison Company says:

31. This counterclaim constitutes a petition for a declaratory judgment under the Declaratory Judgment

Act, 28 U.S.C. Sections 2201 and 2202, and under the patent laws of the United States. An actual controversy exists within the jurisdiction of this Court relative to the validity of Patent No. 2,761,273, the infringement thereof by this defendant, and the rights of this defendant thereunder.

32. Since the filing of the complaint herein, defendant McGraw-Edison Company has commenced selling, and continues to offer for sale and to sell components which can be used in forming dead ends or guy grips, and which materially differ from the accused components theretofore sold by said defendant, and which modified components if used in forming dead ends or guy grips result in dead ends or guy grips entirely outside any possible scope of the claims of the Patent No. 2,761,273, and neither the manufacture, use or sale of these modified components or dead ends or guy grips utilizing such components infringe said patent. One form of said modified components is identified as "New Fanner Straight-Bight Fannergrips" shown in a catalogue page attached hereto as Exhibit A and embodied in a physical specimen Exhibit A(1) filed herewith; another flrm of said modified components is identified as "Service Drop Grips" and "Service Drop Grip Tybail Use" shown on opposite sides of a catalogue page attached hereto as Exhibit B and embodied in physical specimen Exhibit B(1) filed herewith. Plaintiff asserts that there has been, or is, an infringement of the patent in suit by defendant's selling and/or offering for sale modified components identified in this paragraph.

Wherefore, Defendant McGraw-Edison Company prays:

(a) that the Court find and declare that United States Patent No. 2,761,273 is invalid:

(b) that the Court find and declare that this defendant does not infringe said Patent No. 2,761,273 either on account of accused devices originally charged to infringe or modified devices first sold by this defendant since the complaint was filed;

(c) that the Court find and declare that plaintiff has misused Patent No. 2,761,273 and is estopped to maintain this action;

(d) that plaintiff be denied all relief under its Complaint, that the Court costs and this defendant's attorneys fees be assessed against the plaintiff, and that the Court grant defendant such other and further relief as deemed just and proper in the premises.

Dated: October 2, 1964.

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[Exhibits A and B omitted. Same as Exhibits A and B to Amended and Supplemental Answer, R. pp. 61 and 63.]

Receipt of Copy Attached.

[Endorsed]: Filed Oct. 2, 1964.

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# In the Supreme Court of the United States

**OCTOBER TERM 1966.**

**No. 433.**

McGRAW-EDISON COMPANY,

*Petitioner,*

vs.

PREFORMED LINE PRODUCTS COMPANY,

*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT.

## SUPPLEMENTAL BRIEF IN OPPOSITION.

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT.

## SUPPLEMENTAL BRIEF IN OPPOSITION.

Respondent submits the following Supplemental Brief in Opposition to cover additional points raised by Petitioner's Reply Brief.

## REPLY TO PETITIONER'S STATEMENT OF THE "RESPECTIVE CONTROVERSIES."

Petitioner opens its Reply Brief (herein designated "Reply p. __"), with a four page "Comment on Respondent's Brief," the thrust of which is that there are some "issues" not before the Cleveland Court which Petitioner wants decided in this action (Reply pp. 1-4). The "issues" to which it has reference are not capable of adjudication in any court, because they involve nothing more than requests for advisory opinions on hypothetical situations.

Specifically, Petitioner seeks the following advice from the California Court:

(1) Whether the claims of the dead end patent not adjudicated by the Cleveland Court are valid and would be infringed by the dead ends it purchases from Textron (Reply p. 3, "Issue 1"). This raises no justiciable issue. Respondent has never charged Petitioner, Fanner-Textron, or anyone else with infringement of any of the claims of the dead end patent except those found valid and infringed by the Cleveland Court [R. 154]. See also *Preformed Line Prods Co. v. The Fanner Mfg. Co.*, 328 F. 2d 265, 270 (6th Cir. 1964).

(2) Whether (a) if Fanner is shut off as a source of supply, and (b) if Petitioner thereafter elects to make or have made a "straight bight" type of dead end, and (c) if the dead end Petitioner adopts is of a type which raises a question of infringement, Petitioner could "lawfully" sell such a dead end (Reply p. 3, "Issue 2"). This request for advice was specifically rejected by the Court of Appeals (App., p. 16). See also Respondent's Brief in Opposition, pp. 9-10. The dead end which Petitioner may some day make or sell is not now in existence and neither the California Court nor any other court has jurisdiction to render an advisory opinion on such an abstract question.

(3) Whether, if the patent issue were ever tried by the California Court, Petitioner would have a "misuse" * defense (Reply pp. 3-4, "Issues 3, 2 [*sic*]

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* Notwithstanding Petitioner's statement of "Issue 3," which gives the impression that something more than a declaration of its misuse defense is requested (Reply, pp. 3-4), the only pertinent prayer of the counterclaim is for a declaration that Respondent be "estopped to assert" the dead end patent against Petitioner [R. 143]. In any event, all of the instances of alleged

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and 5"). This is merely compounding requests for advisory opinions. It is evident that since Petitioner's "plan" to manufacture dead ends independently does not create an actual controversy (App., p. 16), its desire to assert certain affirmative defenses to justify such a "plan" cannot create an actual controversy.

The only "issues tendered" in the California case upon which there is an *actual controversy* relate to Fanner-made products. Such issues have already been decided by, or are pending decision in, the Cleveland Court.

## ARGUMENT.

### I.

### The District Court Had Discretionary Power to Dismiss This Action.

Respondent agrees that discretion under the Declaratory Judgments Act is to be "soundly exercised" and that such exercise is "subject to review". (Reply pp. 5-7). Respondent has demonstrated in its initial brief that the trial court did exercise sound discretion, which the Court of Appeals reviewed and approved. (Brief in Opposition, pp. 8-9). It is now time to observe this Court's admonition against upsetting a lower court's discretionary ruling made after an extended and careful study of the circumstances. *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U. S. 180, 183-84 (1952).

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misuse asserted by Petitioner were raised by Fanner in the Cleveland litigation, except Petitioner's claim that misuse occurred from the mere fact of filing the California case ("Issue 5"). If this be misuse, then such must have been purged when Respondent dismissed the action, which Petitioner is now trying to reinstate.

## II.

## The District Court Properly Exercised Its Discretionary Power in Dismissing This Action Without Prejudice in Light of the Cleveland Proceedings.

Petitioner's argument that the prior pending litigation in Cleveland "cannot support dismissal of the counterclaim" (Reply pp. 7-10) is premised on the erroneous assumption that there are actual controversies between Petitioner and Respondent, apart from those relating to Fanner-made products, which should be resolved in the California action. Petitioner's reliance on *Altvater v. Freeman*, 319 U. S. 359 (1943) in this regard is grossly misplaced (Reply pp. 8-9). That case did not involve dismissal in deference to a prior pending action.

The pending litigation in Cleveland was a compelling reason for dismissal of the counterclaim, because that action is the only one that can completely settle the controversy as to Fanner-made products.

## III.

## Petitioner's Statement of the Single Issue Ignores the Essential Facts.

Petitioner has attempted to restate the single issue presented in its Petition, but cannot resist the temptation of stating it in a "loaded" fashion (Reply p. 10). The issue as stated by Petitioner ignores these essential facts:

(1) The counterclaim requested only *declaratory relief*. Although Petitioner initially requested treble damages for violation of the antitrust laws, it had withdrawn this prayer by the time of dismissal. *Compare* R. 45 *with* R. 145.

(2) The action was dismissed *without prejudice* [R. 226].

(3) The only matters in actual controversy involve Fanner-made products, which are before the Cleveland Court in a prior action.

Since none of the above three factors appear in Petitioner's statement of the "single issue," Respondent must reject it as incomplete and misleading. The issue is accurately framed in Respondent's Brief in Opposition, pp. 1-2.

The authorities cited by Petitioner for the proposition that courts should always take jurisdiction of a counterclaim for declaratory relief as to patent validity and infringement are irrelevant because they do not involve a prior pending action encompassing the same issues raised by the counterclaim (Reply p. 11). Petitioner's authorities would be pertinent only if there were no Cleveland litigation.

Neither the names of the parties nor the form of their respective claims can be controlling on whether, in the interest of justice, a court should accept or decline jurisdiction of an action for declaratory relief in deference to a prior pending action. As the Court of Appeals recognized, the only real controversy involves Fanner-made products, and that issue "should first be determined in the Ohio court, where any judgment will be binding upon the manufacturer of the product" (App., p. 16).

## CONCLUSION.

For the reasons set forth in Respondent's Brief in Opposition, as supplemented herein, the Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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